AZT under fire
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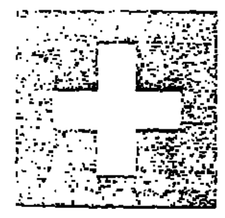

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IN SATURDAY'S **Weekend FT**
Blood brothers: a Zulu divide

FINANCIAL TIMES

Europe's Business Newspaper · FRIDAY APRIL 8 1994 · D8523A

Premier and UN observers killed in Rwanda unrest

A spate of murder and pillaging in Rwanda yesterday claimed the lives of Agathe Uwilingiyimana, the prime minister, and three Belgians acting as military observers for the United Nations. The murders follow the assassination on Wednesday night of Juvenal Habyarimana, president of the impoverished east African country, together with Burundi president Cyprien Ntaryamira whose aircraft was hit by rocket fire as it landed at Kigali, capital of Rwanda. Page 4

Accord on 'smart' French N-arms: French prime minister Edouard Balladur appears to have struck a compromise with President Mitterrand on nuclear weaponry that could head off the country's development of "smart" atomic arms such as the long-range M5 nuclear missile. Page 14

Adams pessimistic on ceasefire: Sinn Féin president Gerry Adams said he believed it was unlikely that the IRA would extend its 72-hour ceasefire which ended at midnight. Page 6

Worker rights' dispute ended: The US and developing countries settled a dispute over workers' rights which had threatened to overshadow the signing of a global trade accord in Morocco next week. Page 14; So near, yet so far, Page 13; Dumping rules, Page 5

Moscow in disarray: In the latest incident pointing to disarray in the Russian government, foreign minister Andrei Kozyrev denied that a presidential order had been issued setting up 30 military bases in former Soviet states. Page 2

Fears for Gascoigne over leg injury

The career of Lazio and England footballer Paul Gascoigne, left, could be in jeopardy after the midfield player broke his right leg in two places in a tackle during training. The same leg needed two operations three years ago after he tore knee ligaments at the start of an English FA cup final match.

Daimler slashes dividend: Stark contrasts in Germany's financial and industrial sectors were highlighted with the announcement of a 38 per cent cut in Daimler-Benz's dividend and a 12.5 per cent increase at Dresdner Bank. Page 15; Markets, Section II

Amec, UK construction, engineering and property group, returned to the black last year, making pre-tax profits of £21m ($30.8m). But chairman Sir Alan Cockshaw said the market was likely to remain difficult. Page 16; Lex, Page 14

BP bonuses under fire: BP shareholders attacked incentive schemes for company managers at the oil company's annual meeting in London. Page 15

Invesco, international fund management group, reported annual profits sharply up to £33.4m ($48.8m) after a year of worldwide restructuring and negative publicity in the UK. Page 23; Lex, Page 14

Highland Distilleries, Scotch whisky producer, has bucked the trend of falling profits in the industry lifting pre-tax profits by 10 per cent to £23.4m ($34.2m) in the six months to end-February. Page 16

White House dilemma: The White House wants to nominate Senator George Mitchell to the US Supreme Court while allowing him to remain Senate majority leader for the rest of the political year. Page 3

Run on escudo: Portuguese prime minister Anibal Cavaco Silva was blamed for provoking an attack on the escudo by speculators. Page 2

Japan silent on N Korea threat: The possibility that North Korea is developing nuclear weapons has stirred deep private concerns in Japan that are masked by a public calm. Page 4

Australia jobless total 'to fall': Australia is forecasting a fall in its unemployment rate to below 10 per cent by the end of this year after it fell to 10.3 per cent last month. Page 4

Dhaka protesters shot: Bangladesh's main opposition leader Sheikh Hasina said six people were shot dead during anti-government rallies in Dhaka.

Out in the cold: Disgraced skater Tonya Harding has been excluded from a White House reception for the US Winter Olympics team next week.

■ STOCK MARKET INDICES		
FT-SE 100:	3,129.0	(-2.5)
Yield	3.88	
FT-SE Eurotrack 100	1,457.70	(+11.67)
FT-SE-A All-Share	1,578.41	(-0.1%)
Nikkei	19,890.98	(+194.24)
New York lunchtime:		
Dow Jones Ind Ave	3,671.95	(-7.78)
S&P Composite	448.15	(+0.10)
■ US LUNCHTIME RATES		
Federal Funds:	3¾%	
3-mo Treas Bills: Yld	3.611%	
Long Bond	89¾	
Yield	7.218%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(5⅛%)
Liffe long gilt future:	Jun 107½	(Jun 108⅝)
■ NORTH SEA OIL (Argus)		
Brent 15-day (May)	$14.42	(14.46)
■ Gold		
New York Comex (Jun)	$386.1	(387.1)
London	$384.6	(383.5)

■ STERLING		
New York lunchtime:		
$	1.4715	
London:		
$	1.467	(1.4678)
DM	2.5284	(2.5173)
FFr	8.6026	(8.6074)
SFr	2.1267	(2.1275)
Y	152.778	(153.49)
£ Index	79.5	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.7163	
FFr	5.879	
SFr	1.4463	
Y	104.35	
London:		
DM	1.7181	(1.7151)
FFr	5.8845	(5.8644)
SFr	1.451	(1.4495)
Y	104.625	(104.575)
$ Index	65.7	(65.6)
Tokyo close Y 104.27		

Austria	Sch32	Greece	Dr360	Lux	LFr65	Qatar	QR15.00
Bahrain	Din1.250	Hong Kong	HK$19	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	SK50
Cyprus	C£1.10	India	Rs45	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.50	Norway	NKr16.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr8.00	Kuwait	Fils.625	Poland	Zl 22,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc220	Turkey	L13000
						UAE	Dh12.00

European trio plans replacement for Concorde

By Christopher Parkes in Frankfurt and Daniel Green in London

Europe's three leading aerospace groups are to join forces in a feasibility study for a supersonic passenger aircraft to succeed the Anglo-French Concorde.

British Aerospace, Aerospatiale of France and Germany's Deutsche Aerospace (Dasa) hope that their study will lead to the production of an aircraft for the second half of the next decade.

They will be seeking cash aid from national governments and from Brussels for the project, which is estimated to cost the makers as much as $15bn for a maximum demand of 1,000 aircraft. One company said the project, the European Supersonic Research Programme (ESRP), needed $100m a year in initial investment.

Two of the three companies, BAe and Aerospatiale, designed and built the Concorde. While that project was loss-making and abandoned with only a handful built, the aircraft has proved a success for British Airways, which operates seven of the 100-seat aircraft.

The normal Concorde return fare between London and New York is more than £5,000 ($7,300) and the airline takes more than £150m a year in ticket revenues from its small fleet. Concorde is limited, however, to North Atlantic routes because of it 6,000km range.

Since the aircraft's development in the 1970s, the growth of Asian economies has created a market linking Europe and east Asia and across the Pacific, which requires an aircraft with greater range.

The outline specification for the ESRP calls for an aircraft with a range of 10,000km, seats for 250 passengers and a speed of Mach 2, twice the speed of sound.

BAe said that if the project went ahead, an aircraft could be flying by the second half of the next decade.

"We want to keep Europe's lead in supersonic passenger aircraft," the company said.

The ESRP companies would share research costs equally in the project, which would focus on materials, engines, systems and aerodynamics, according to Dasa, the loss-making Daimler-Benz subsidiary that holds the German stake in the European Airbus.

The three companies have been part of an international aircraft development study group embracing US, Japanese, Italian and Russian companies, Dasa said. But the trio has now decided to press ahead with its own design.

BAe said it spent less than £5m on pre-feasibility study research last year. It has been in discussion with the UK Department of Trade and Industry about assistance for the new project.

It said that research for the engine for a Concorde successor was "a parallel project" involving the UK company Rolls-Royce, one of the world's three main manufacturers of commercial aero engines.

Output rise confirms recovery of UK industry

Highest growth in Europe brings inflation warning

By Emma Tucker, Economics Staff, in London

The recovery in British industry strengthened decisively in February, as robust manufacturing growth helped push overall production back above its pre-recession levels.

The official figures published yesterday appear to lend weight to the government's assertion that the UK economy is growing faster than other developed economies in Europe.

The index of industrial production rose to 100.7, its highest since June 1990 when it peaked at 102.1. In the three months to February, the index – which covers manufacturing, and the energy and water sectors – was 0.6 per cent higher than in the previous three months. It was up 3.7 per cent compared with a year ago.

Manufacturing output rose a seasonally adjusted 0.6 per cent on the month, buoyed by healthy performances in the engineering and food sectors. The increase, which follows a 1 per cent rise in January, was well ahead of market expectations.

In the three months to February output rose 0.8 per cent against the previous three months, to stand 2 per cent up on the same period a year ago.

According to calculations by the government's Central Statistical Office, manufacturing output is now rising at an annualised rate of roughly 3 per cent.

Signs of a clear revival in industry will hearten the UK government as new taxes on individuals – most of them effective this month – threaten to slow consumer spending, the strongest growing element of the economy.

The Treasury said the figures were "entirely consistent" with recovery across a broad front, and that it was particularly encouraged by a pick-up in output of goods used for industrial investment.

But yesterday's news of accelerating output was accompanied by a warning on inflation. A report from Income Data Services, a research company, said the majority of pay rises this year were ahead of the current inflation rate of 2.4 per cent.

IDS said that "a modest upward shift in pay settlements has been under way since the start of the year" with some firms paying higher bonuses and offering more overtime to staff.

On the London stock market dealers took the view that the manufacturing output figures reduced the chances for a further cut in interest rates. However, yesterday's 2.5-point drop in the FT-SE 100 share index to 3,129.0 was more a reflection of a general weakness in the US stock market than fears that lending

Continued on Page 14
Engineering, food boost output, Page 7
Lex, Page 14

Ehud Barak, Israel's chief of staff, wipes his eyes while speaking yesterday with prime minister Yitzhak Rabin (left) during a Holocaust Day ceremony in Jerusalem at the Yad Vashem Holocaust Memorial, following a second Palestinian terrorist attack in 24 hours — Picture: Reuter

Israelis seal off territories

By Julian Ozanne in Jerusalem

Israel sealed off the occupied territories for an indefinite period yesterday, banning all Palestinians from entering Israel and East Jerusalem after a second Palestinian attack in 24 hours came as the country remembered six million Jews killed in the Nazi holocaust.

The move cuts off tens of thousands of Palestinians from their jobs. It followed a warning by extremist Islamic groups, responsible for slaying eight Israelis in two separate attacks, that they would step up their violent activities and "continue in the path of blood and martyrdom".

President Bill Clinton condemned the Palestinian attacks as "acts of terrorism" aimed at stopping the Middle East peace process. The Palestine Liberation Organisation, in its first official comment said it regretted Wednesday's car bombing which left seven Israelis dead and urged Israel to implement the Israeli-Palestinian peace accord as soon as possible.

However, the US said last night it was not satisfied with the PLO's reaction to the murders and expected Mr Yassir Arafat, PLO leader, to condemn the killings.

Despite intense domestic pressure the government of Mr Yitzhak Rabin, prime minister, said it would continue peace talks with the PLO in Cairo on Sunday after observing the annual holocaust memorial day and the Jewish sabbath.

Israel's closure of the occupied territories was intended to calm growing public fears in the Jewish state of more bloody attacks by Islamic groups seeking revenge for the February massacre of 29 Arabs by a Jewish settler in Hebron.

In the southern Israeli town of Ashdod, a Palestinian guerrilla of the Islamic Jihad group, who lived in a refugee camp in the Gaza Strip, yesterday sprayed a bus stop at a busy intersection with gunfire, killing an Israeli and wounding four.

Hamas called on Palestinians in the West Bank and Gaza yesterday to stock up on food and supplies and prepare for "an

Continued on Page 14
Israelis relive holocaust, Page 4

Bosnian Moslems call truce for talks

By Our Foreign Staff

Bosnia's Moslem leadership, under mounting diplomatic pressure to enter peace talks with its Serb enemies, yesterday announced a 24-hour ceasefire and said this was intended to pave the way for talks on a longer-term truce.

The gesture was rebuffed by Serb officials, who reiterated demands for an immediate start to talks on a permanent, general ceasefire.

The Moslem announcement signalled a retreat from its previous reluctance to enter peace talks while Serbs were in control of freshly acquired land around the Moslem enclave of Gorazde.

UN military officials could not confirm the new truce, saying they had issued ceasefire documents to both sides and were expecting an answer today.

General Sir Michael Rose, head of UN forces in Bosnia, shuttled between Serb and Moslem commanders but failed to settle terms on which they could meet yesterday afternoon at Sarajevo airport, as initially planned. Another UN officer, Colonel Richard Pernoud, said the two sides might come together today.

Serbian forces have in recent days gained strategically important ground near Gorazde, and thus moved closer to their long-standing goal of unchallenged control of eastern Bosnia, which adjoins Serbia.

The Moslem leadership, whose

Continued on Page 14
Mostar divided by fear, Page 2

Findings on Aids drug AZT undermine Wellcome hopes

By Clive Cookson and Daniel Green in London

Further reports ....Page 7

Results published today in The Lancet medical journal dash the hopes of Wellcome, manufacturer of the leading Aids drug AZT, that fresh data and analysis would vindicate the drug's benefits.

Full findings of the Anglo-French study of AZT confirm the preliminary ones that shocked the medical world a year ago. People who are infected with HIV derive no long-term benefit from taking AZT before they show any symptoms of disease.

The team of scientists from the UK Medical Research Council and France's National Aids Agency, who carried out the so-called Concorde study, conclude that "the results do not encourage the early use of AZT in symptom-free HIV-infected adults."

Concorde leaves more than 10m people worldwide, estimated by the World Health Organisation to be HIV-positive but not yet suffering from Aids, without any proven treatment to delay symptoms.

The study allocated 1,749 patients at random into two groups, one taking AZT and the other a placebo. Their clinical progress was followed for an average of 3.3 years.

People on AZT were doing better than the placebo group after one year. But this "transient benefit" had disappeared by the end of three years, the Concorde scientists say.

Death rates after three years were 8 per cent for the AZT group and 6 per cent for the placebo group; 18 per cent of both groups developed full-scale Aids.

As the news of the study's contents was assimilated by the stock market, Wellcome's shares fell 8p to 557p. They had stood at 762p before the preliminary results appeared a year ago.

Mr John Robb, chief executive, said the final outcome was neither a surprise nor necessarily bad for the drug. The company's strategy with the development of Aids treatments would continue unchanged, he said. The future lay in combining AZT with other drugs to contain the disease.

Several stock market analysts had miscalculated that the full version of the trials would at least soften the harsh preliminary conclusions.

The Concorde team is now following patients' progress for a further 15 months. "We are particularly interested in the mortality rates," said Professor Ian Weller, principal UK investigator. "We want to find out whether the trend to slightly higher mortality in the [AZT] group – 8 rather than 6 per cent – has persisted or even increased."

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NEWS: EUROPE

Russian government in state of disarray

By John Lloyd in Moscow

The Russian government is displaying disarray at the highest levels, resulting in serious misunderstandings and even panic both within its own ranks and abroad.

A disputed presidential order on the establishment of Russian bases in the territories of the former Soviet states was yesterday the most recent of three incidents within a month which demonstrate either great disorganisation or malign meddling, or both, within the top administrative structures of the state.

These were, in reverse order:

● The official notification by Tass, the state news agency, of a decree said to have been signed on Wednesday by President Boris Yeltsin, establishing 30 military bases in neighbouring states, including Latvia – a decree whose existence was denied yesterday by Mr Andrei Kozyrev, the foreign minister.

● A statement on March 31 by Mr Vyacheslav Kostikov, the presidential press secretary, that Mr Yeltsin would not be ready to sign the Nato-inspired "Partnership for Peace" plan for six or seven months – which was flatly denied the next day by Mr Kozyrev, saying it would be signed later this month.

● The publication last month of a "coup plot" caused investigations of top ministers and is supposed to be the subject of continuing investigations.

The disarray becomes more obvious as pressure increases on the Russian president.

The Federation Council, or parliament's upper house, refused on Wednesday to confirm the resignation of Mr Alexander Kazannik, who left his post as state prosecutor in February in protest against pressure from Mr Yeltsin not to agree to the freeing of those jailed for their part in the parliamentary coup last October.

Mr Yeltsin says he will continue to regard Mr Alexei Ilyushenko as the acting state procurator, while the upper house points to the clause in the new constitution which gives it the right to appoint and release prosecutors.

The confusion over the bases came when Tass put out a statement on Wednesday that the president had signed a decree on the establishment of military bases, including in Latvia. The Latvian government immediately went into emergency session, and a statement saying that the decree was in "sharp contradiction" to agreements between Russia and the Baltic state was read out on TV by Mr Georg Andreevs, the Latvian foreign minister.

Yesterday, Mr Kozyrev denied that the decree existed and likened it to the coup plot. He said it was a "provocation".

However, Mr Kostikov said that the decree did exist, but that "technical problems" with its phrasing had given the wrong impression to the Latvians, and that apologies had been made. He said the base referred to was Skrunda, a radar installation which both sides have agreed will be rented by Russia. A similar announcement was made by the defence ministry.

The issue of the withdrawal of Russian troops from the Baltics is a highly emotive one on both sides. The Estonian government yesterday accused Russian negotiators of reneging on their word to withdraw troops from its territory by August 31 – saying Russia had demanded that Estonia pay social security to the ex-servicemen and provide houses for the returnees in Russia.

Shareholders of Russia's 'Independent Oil Company' protesting in Moscow yesterday for the return of their money. Company representatives sold $50m worth of shares then disappeared *Reuter*

Ukraine faces confusion after elections

By Jill Barshay in Kiev

Ukrainians return to the polls on Sunday for the final round of their first post-Soviet parliamentary elections. Judging by the first round of voting last month, turnout will be high despite the fact that precious little clarity is likely to result from the effort.

The voting threatens to usher in a disorderly mix of opposing factions to replace the old guard of red barons and factory bosses.

As in the first round, there will be sharp regional divisions between roughly equal blocs of opposing western nationalists and eastern communists and support for a large non-aligned, amorphous centre. The two most likely results, according to a western diplomat in Kiev, are "a leftist majority if the independents ally with them, or you'll have a Poland with 35 different parties and an absolutely incoherent picture".

As no obvious coalitions have yet begun to form, the composition of the new parliament could be a recipe for legislative deadlock on critical issues, from nuclear weapons and market reforms to alignments with Russia and the west. Of the 79 MPs who have already won their seats outright, their political orientations break down into neat thirds: 27 Communists and Socialist victors from Russian-oriented east Ukraine; 24 national-democrats and market reformers from west Ukraine; and 28 non-aligned independents.

In choosing among the more than 700 candidates competing this weekend to fill the 450-seat parliament, Ukrainians will be faced with very different choices. In the west, nationalist-democrats, who strongly support Ukrainian statehood as a part of Europe proper, are largely competing against each other. The handful of ultra-nationalist contenders are more preoccupied with creating a centralised, unified state for "Ukrainians only" than with the economy.

In the east and centre, communists, who would like to resurrect the old Soviet Union, are running against pro-Russian centrists supporting economic union of the Moscow-led Commonwealth of Independent States. In 12 districts within the ailing coal mining region of Donetsk, communists are directly competing against one another. The regionalisation of politics is a measure of the lack of a national vision. "There is no clear national consensus and (President Leonid) Kravchuk has provided no leadership on this," said the western diplomat.

Nevertheless, the continued surprise of these elections has been the large voter turnout. This has made it probably impossible for Mr Kravchuk to declare the elections invalid and rule by presidential decree, as he has said he wanted to.

After the parliament is elected, the main issue on the national agenda will be whether early presidential elections will take place in June as agreed, or if the unpopular Mr Kravchuk will be successful in his attempt to postpone them and stay in power to 1996.

Tension is rising in Crimea, the Ukrainian region with a Russian majority. The peninsula's president has sharply attacked Mr Leonid Kravchuk, the Ukrainian president, and reports in Moscow speak of more Ukrainian troops being moved into the area, writes John Lloyd.

Mr Yuri Meshkov, elected as head of the Crimean "state" on a ticket of closer union with Russia, said in a statement read on TV on Wednesday night that "Ukraine is being led by the most dangerous government ... in Europe". An apparently well-sourced report in the Moscow daily, Sevodnya, yesterday claimed that extra troops and intelligence officers were being drafted in to bring the strength of Ukrainian divisions there to over 50,000.

Irish rail strike looms over plan to modernise

By Tim Coone in Dublin

A national rail strike is looming in Ireland in a dispute over modernisation and working practices. The country's main rail union yesterday recommended that its members take strike action to protest against the plan.

Irish Rail, the state-run rail company, is currently losing more than I£70m (£68m) a year. Its management wants to introduce radical changes in outmoded working practices, introduce modern and more powerful locomotives and rolling stock, one-man train operations, and new ticketing and signalling systems.

It is estimated that I£800m needs to be spent on the Irish rail network to bring it up to modern EU standards. I£275m is earmarked to be invested up to the end of the decade with the assistance of EU structural funds.

Some three years of negotiations between management and unions have failed to produce an agreement, however, and the proposals finally put to the company's 5,000 staff were rejected by the majority of them last month.

Last week, the company decided to push ahead with its plans and began suspending staff who refused to participate in training programmes for the introduction of new technology.

Mr Tony Tobin, the senior negotiator for SIPTU, the main trade union involved in the dispute, blamed the management. "We believe there is still ground to be made by sitting round the table, but management have not used all the labour relations machinery available."

A management spokesman acknowledged this was the case, but said: "The last agreement took 18 months of talks. We have now sat through 14 Labour court conciliations and the proposals have been rejected by the unions. If we don't kick-start this programme, things will just drift and we could lose some of the European funds."

Staff were being balloted on a strike yesterday and the results are expected early next week. If approved, a stoppage would follow seven days later.

Irish Rail carries 25m passengers a year and 3.3m tons of freight. In addition to disruptions for passengers, the principal cargoes that will be delayed by a strike are beer, cement, chemicals, mineral ores and concentrates and peat, around 85 per cent of which is import-export business.

Bosnian city divided by fear

Edward Mortimer and Laura Silber report on Mostar's uneasy peace

Mr Mehmet Muratovic shook with sobs as he walked from Moslem-held eastern Mostar towards his four-year-old grandson whom he had not seen in nearly a year although they had been separated only by a few streets of shattered buildings.

It was 10 am yesterday in the no man's land separating the Moslem and Croat-held parts of Mostar, the regional capital of southern Bosnia-Hercegovina, which until six weeks ago had witnessed some of the most ruthless fighting of the Bosnian war.

In May last year the Bosnian Croats, until then allied with the Moslem-led Bosnian government against the Serbs, stepped up their drive to form their own ethnically pure Croat state, of which Mostar was to be the capital.

But government forces dug in on the east bank of the River Neretva, and managed to hold a strip of the city centre on the west bank, despite the continuous Croat shelling which destroyed all of Mostar's bridges, including the historic 16th century one which gave the city its name.

But thanks to the agreement, signed in Washington on March 1, the fighting has now stopped.

Yesterday's tearful reunion of 25 divided families, the first of its kind, was a small step towards the federation which Moslem and Croats have agreed, under strong US pressure, to establish. The Muratovics were among carefully sifted residents of each side who were allowed a two-hour meeting with relatives in a UN tent, encircled by barbed wire.

No man of military age could be included and no Bosnian citizen was allowed actually to cross from one side to the other. Although under the agreement, Moslems and Croats are now supposed to be allies and fellow citizens, the Croat authorities insisted on these stringent rules.

Peering furtively from the ruins of an apartment block on the eastern side - the nearest he was allowed - a Bosnian soldier gestured at his elderly mother to hold back her tears.

Peering furtively from the ruins of an apartment block on the eastern side of Mostar, the nearest he was allowed, a Bosnian soldier gestured at his elderly mother to hold back her tears

Until one month ago, Croat forces were still rounding up Moslems living in western Mostar, firing on them as they were expelled across frontlines. Possibly for fear of suffering a similar fate, six western Mostar residents who had obtained permission for the visit yesterday failed to show up, causing evident distress for their relatives who waited for them in vain.

Only those named on a pre-approved list were allowed to take part in the visit. Even small children had to be subjected to a careful body search by UN police.

The inhabitants of eastern Mostar looked thinner and wearier than their relatives from the opposite bank. Owing to the Croat siege, the eastern side has been without water and electricity since last summer. Restoring utilities to the city is the most urgent task facing Mr Hans Koschnick, the former mayor of the German port of Bremen, who has been name by the EU as interim administrator of the city, an arrangement which is to last two years under the terms of the Washington agreement. Mr Koschnick, a social democrat, is expected to arrive on April 18.

Commander Esad Humo, who headed the defence of the mainly-Moslem eastern bank, said the last time he stood at that devastated spot was a year ago, when under enemy fire, he drove a lorry to form a frontline barrier. The families had to make their way around the rusted remains of this lorry, loaded with rubble from which thistles and spring flowers had now sprouted.

General Sir Michael Rose, commander of UN forces in Bosnia, is due in Mostar today – his first visit since he arrived in the country in January. "It's six weeks too late in my opinion," said British brigadier Jerry Hulme, head of the regional office of the UN High Commissioner for Refugees. But, he added: "I am looking forward to seeing how my old pupil is getting on." (Brig Hulme was formerly an instructor at the Staff College, Camberley).

Until now, Gen Rose has focused mainly on the conflict between Moslems and Serbs, elsewhere in the country. Yesterday he was caught up with peace moves involving Serb and Moslem commanders near Sarajevo airport.

Brigadier Hulme is concentrating on making the family reunions in Mostar a daily occurrence.

That will go on until the two sides feel confident enough to restore free movement throughout the city, he said, as he walked back to the east bank, across the mangled remains of a bridge installed a year ago to replace one destroyed by the Serb-dominated Yugoslav Army when the war erupted in 1992.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd. London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Premier blamed for run on escudo

By Peter Wise in Lisbon

Portugal's prime minister, Mr Anibal Cavaco Silva, was being blamed yesterday for provoking an attack on the escudo by speculators. Analysts said the speculation would either significantly weaken the currency or delay economic recovery by forcing up interest rates.

Efforts by the Bank of Portugal to protect the escudo yesterday pushed up overnight interbank money market rates to 100 per cent from about 10 per cent before the currency crisis began 10 days earlier. Dealers warned the turmoil on Portugal's foreign exchange and money markets was likely to continue.

The central bank measures lifted the escudo to Es101.2 to the D-Mark yesterday from a low of Es104.3 on March 30 but at the cost of threatening the government's policy of cutting interests rates to help the economy move out of recession.

"The monetary authorities are faced with a choice between allowing the escudo to weaken or sacrificing their declared policy of lowering interest rates to stimulate investment and economic growth," said Mr Joaquim Gomes, an analyst with Midas Corretora, a Lisbon broker.

Mr Cavaco Silva was widely blamed for triggering the attack on the escudo by forecasting that inflation would fall to between 4.5 and 5 per cent in 1994, from 6.3 per last year, and that the central bank's money market absorption rate could be lowered 200 basis points to 7 per cent.

"The markets took the prime minister's forecast as a clear policy statement on interest rates but found his inflation forecast over-optimistic," said a Lisbon-based foreign exchange dealer. "Portuguese, Spanish and British banks began to speculate massively over the prospect of a weaker escudo."

The same perceived rift between a government apparently willing to sacrifice the escudo to help kick-start the economy and a central bank firmly committed to exchange-rate stability helped provoke two devaluations of the escudo during the European currency crises of 1993.

Dealers said the central bank had also fuelled speculation by allowing the escudo to become the weakest currency in the exchange rate mechanism of the European Monetary System, when it had previously always maintained it above the peseta.

The Bank of Portugal began defending the currency last week by spending massively from its foreign currency reserves to buy escudos, taking the unusual step of officially announcing its intervention. As a result, the escudo began to recover against the D-Mark and the central bank changed its tactics by increasing its money market intervention rates as banks sought to move back into escudos.

The central bank has been injecting about Es400bn a day into the money markets this week at rates of 13-14 per cent, compared with 10 per cent previously – but only for banks constituting obligatory reserves. Non-resident banks wanting to move back into escudos are being heavily penalised by having to pay 40-100 per cent interest for funds on the interbank market.

Mr Miguel Namaorado Rosa, chief economist with Banco Comercial Portugues, forecast the escudo would shortly move back to its pre-crisis level of about Es102.5 to the D-Mark and that short-term interest rates would also gradually decrease to their previous level.

But although the escudo may recover, analysts agreed that by showing such optimism over interest rates, the prime minister had ensured that no reduction could now take place and had consequently damaged prospects for recovery.

EUROPEAN NEWS DIGEST

Italy's feuding victors meet

Italy's Northern League and the neo-fascist National Alliance – members of the right-wing alliance which won last week's election – held a surprise meeting yesterday to discuss federalism, the principal issue which divides them. Senior League politicians said Mr Umberto Bossi, leader of the federalist League, and Mr Gianfranco Fini, secretary of the National Alliance, did not talk about the post-election political crisis. This week Mr Silvio Berlusconi, leader of Forza Italia, the third member of the pact, suspended talks with his squabbling allies on forming a government. He will wait for Italy's president to name a prime minister later this month before renewing negotiations. The League said yesterday's meeting was a positive step, if only because the National Alliance – which favours a more centralised state – had agreed to discuss federalism. Mr Fini, however, said federalism was only acceptable as part of a presidential regime. *Andrew Hill, Milan*

Dutch millionaire is cleared

The Netherlands' first insider-trading trial ended yesterday with millionaire industrialist Mr Joep van den Nieuwenhuyzen cleared of all charges over the sale of shares in HCS Technology in 1991. The judgment was a blow to the Justice Ministry which made the case a key test of the five-year-old insider-dealing law. Mr Van den Nieuwenhuyzen, majority owner of the Begemann industrial group, was accused with two associates, Mr Leon Melchior and Mr Eric Albada Jelgersma, of selling shares to drive down HCS's share price. The prosecution alleged they would then have been able to participate more cheaply in a share placing they knew HCS planned to make. But the court said that insider trading had not been proved because it was not obvious which way the HCS shares would move. *Reuter, Amsterdam*

Spain cuts mobile phone tariffs

Spain yesterday cut mobile telephone tariffs by 15 per cent, and delayed the award of a licence to a private cellular operator in move which will boost the market share of the state-owned telephone monopoly ahead of deregulation. The cheaper rates and a 60 per cent cut in subscription charges should boost sales of the analogue TMA cellular service offered by Telefonica, which is 32 per cent government owned, in advance of the introduction of the more modern GSM mobile telephony under a deregulation package. The government had originally promised to seek tenders for two GSM licences – one reserved for Telefonica and the other for a private operator – last year but the bidding terms have now been delayed indefinitely. *Tom Burns, Madrid*

Challenge to union candidate

Rival factions in Spain's General Workers' Union (UGT), the Socialist labour confederation, yesterday joined battle over a new leadership, at a time when the union's fortunes and its relations with the Socialist government are at a low ebb. A little-known unionist from Andalucia, Mr Cándido Méndez, appeared well placed to take over the leadership at the end of the union's four-day congress on Sunday, as the chosen successor of the veteran Mr Nicolás Redondo. However, Mr Mendez faces a challenge from the more combative Mr Manuel Fernández, head of the UGT's powerful metalworkers' federation, who is strongly supported in the industrial and mining regions of northern Spain. *David White, Madrid*

Strikers bring Paris to standstill

Strikers in Paris yesterday brought the metro, bus and suburban railway systems to a virtual halt and caused massive traffic jams. The morning rush-hour saw tailbacks totalling 230km, and hundreds trying to cram on to the few trains running. Strikers were protesting against the planned transfer of responsibility for the RATP metro/bus and SNCF suburban railway systems from the central government, which subsidises them by FFr5bn a year, to the Ile-de-France region, comprising Paris and the surrounding area. Ile-de-France said yesterday there was no question of privatising the public transport system, but workers fear it will introduce competitive tenders, demand productivity increases and raise fares to replace the government subsidy. *David Buchan, Paris*

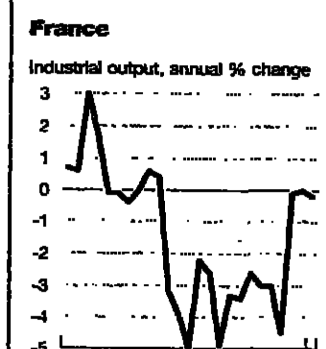
Walesa vetoes wage control law

Poland's centre-left ruling coalition yesterday suffered a setback in a political tug of war with President Lech Walesa when it failed to muster the two-thirds majority needed to overrule the head of state's veto on a wage control law. The coalition's trade union deputies, in an effort to see wage rise limits eased, voted with the opposition Solidarity trade union against the government. President Walesa has argued that the law, designed to replace regulations limiting pay rises in state sector enterprises, would enable the government to extend controls to the private sector. The government will propose a modified wage law to parliament today to replace the state sector regulations. *Christopher Bobinski, Warsaw*

ECONOMIC WATCH

French industrial output slips

France



Source: FT Graphite

French industrial production fell 0.2 per cent in January from December, after falling 1 per cent in December from November, according to seasonally adjusted data from the national statistics office, INSEE. However, output in the building and public works sector, which is not included in the industrial index, rose by 8 per cent in January from December, returning to the levels seen before a sharp drop in December. Manufacturing output rose 1.2 per cent in January, while farm output fell 3.6 per cent and energy production dropped 2.4 per cent. Some figures for output of consumer and semi-finished goods had had to be estimated, Insee said.

■ Unadjusted unemployment in western Germany in March fell by 0.3 per cent, from 2.74m to 2.64m, taking the unemployment rate to 8.5 per cent of the labour force. In eastern Germany, unemployment fell by 0.5 per cent, from 1.3m to 1.26m, or 16.8 per cent. However, seasonally adjusted unemployment in west Germany rose by 20,000 to 2.57m.

■ West German industrial orders rose 3.1 per cent in February, from January, and 3.2 per cent from a year earlier.

■ Denmark's GDP will grow 4 per cent this year in real terms, compared with 1 per cent last year, the Federation of Danish Industries forecast.

شكرا من الأمل

NEWS: THE AMERICAS

White House quandary on Court post

By Jurek Martin in Washington

The White House is exploring ways of nominating Senator George Mitchell to the Supreme Court while retaining his services for the rest of the political year as Senate majority leader, in a move likely to face political opposition.

Mr Lloyd Cutler, the president's legal counsel, said this was "legally possible" but carefully added: "Whether it would be politically possible, I don't know."

Justice Harry Blackmun, whose retirement was announced on Wednesday, is willing to stay on until the end of September, when the current Court term expires, or until a replacement is installed. Senator Mitchell last month said he would not seek re-election to the Senate in November.

One option is to nominate Mr Mitchell, an indispensable congressional manager of the administration's domestic agenda, but to delay a confirmation vote by the full Senate until the last days of the legislative session in October. Another is to push through his confirmation earlier but for him to delay taking the oath of office as a Justice until after the autumn recess.

An early warning of the arguments against such a move came in a New York Times editorial yesterday, which sniffed that "a delayed appointment... suggests that the Court has a lower priority than the partisan needs of the White House."

It took President Bill Clinton nearly three painful months last year to come forward with the nomination of Mrs Ruth Bader Ginsburg to fill the previous Court vacancy. He is committed to a speedier process this time.

Mr Mitchell, who said he would consider any offer to serve on the Court, should have few problems winning the endorsement of his colleagues, though the right wing will rake over his record. Though a lawyer by profession and a former federal judge, he would be the first practising politician to sit on the bench since the retirement in 1969 of former Chief Justice Earl Warren, who was previously governor of California.

The potential political problems of his nomination, however, means that other candidates are under active consideration. Mr Bruce Babbitt quickly withdrew, saying he wanted to remain as secretary of the interior, but Judge Jose Cabranes from Connecticut and Mr Drew Days, now the solicitor general, have emerged as leading alternatives.

Both have excellent legal reputations and both would add the ethnic diversity to the Court that Mr Clinton has pursued in other appointments. Judge Cabranes is of Hispanic origin, hitherto unrepresented on the highest bench, while Mr Days, previously law professor at Yale, is black and would balance the conservative judicial opinions of Justice Clarence Thomas.

A third female Justice also remains a possibility, to join Justices Ginsburg and Sandra Day O'Connor. The New York Times editorial yesterday particularly commended Ms Judith Kaye, chief New York State judge.

IMF raises its growth forecast for US economy

The International Monetary Fund has sharply raised its growth forecast for the US economy this year amid gathering signs of US economic strength, according to international monetary sources, Reuter reports from Washington.

But the Fund, in a draft version of its semi-annual World Economic Outlook, has cut its growth forecasts for most other big industrial nations, as Japanese and continental European economies have been slow to revive.

The sources, who declined to be named, said the IMF now expects the US economy to show growth of some 3.8 per cent this year. That compares with the 2.6 per cent rate foreseen by the Fund just last September and well above the official Clinton administration forecast of 3 per cent.

The new forecast partly reflects a surge in US growth late last year that has carried over into 1994. The US economy soared 7 per cent in the final quarter of last year, its fastest pace in nearly 10 years.

However, the IMF now expects the Japanese economy to grow by a meagre 0.7 per cent this year, instead of expanding by 2 per cent, as it forecast in September. It believes that Japan may need to take further action to pump up its economy.

The Fund has also reduced its growth forecasts for most European countries in the Group of Seven, adding that some may need to cut interest rates further to boost their economies.

The IMF now expects Germany's economy to expand by 0.8 per cent this year, instead of by 1.2 per cent, Britain's by 2.5 per cent, rather than 2.8 per cent, and Italy's by 1.1 per cent, instead of 1.7 per cent.

The growth forecast for France was left unchanged at 1.1 per cent, while that for Canada was trimmed to 3.5 per cent from 3.8 per cent.

The forecasts, which are still subject to last minute revisions, are due to be made public on April 20.

Mexican says he acted alone in assassination

By Damian Fraser in Mexico City

The confessed assassin of Mr Luis Donaldo Colosio, the presidential candidate of Mexico's governing party, has claimed he acted alone and not as part of a conspiracy.

Mr Mario Aburto denied the special prosecutor's account that he conspired with six other men to assassinate Mr Colosio at a Tijuana campaign rally last month. He said he did not know the other men charged with the murder, according to testimony released by lawyers.

Mr Aburto's statement adds to pressure on the special prosecutor to release more evidence implicating the other six suspects, and to find the people who hired them.

So far the authorities have largely based their suspicions on a video and photographs that appear to show the suspects helping Mr Aburto gain access to Mr Colosio, witnesses who saw the suspects talking together before the crime, and some inconsistencies in their testimonies.

An official familiar with the investigations said Mr Aburto's statements did not surprise the prosecutors, and that under the circumstances it was expected that Mr Aburto would keep silent.

The prosecutor's conclusion that Mr Colosio was the victim of an organised plot has led to wild speculation over who may have ordered his killing. Press speculation has centred on members of Mr Colosio's own party, drug traffickers, or unknown subversive political groups.

Three of the men charged by the Attorney-General's Office were hired by Mr Rodolfo Rivapalacio, a local official of the ruling Institutional Revolutionary Party, to control crowds at the campaign rally in Tijuana where Mr Colosio was killed. Mr Rivapalacio has been charged with indirect involvement in Mr Colosio's killing. A fifth man has been detained, and authorities are looking for the sixth.

Menem set for second term in Argentina

Sunday's poll is likely to pave way for necessary change in country's constitution, writes **John Barham**

Argentina's President Carlos Menem is set to be the main beneficiary of next Sunday's elections for a constituent assembly to rewrite the country's 1853 constitution. The principal item on that assembly's agenda is to eliminate a clause forbidding incumbent presidents succeeding themselves.

A decisive victory for Mr Menem's Peronist party on Sunday will virtually ensure he fulfils his overriding ambition – winning a second term as president. Polls predict the Peronists will take 43-45 per cent of the vote, crushing the main Radical opposition party, which is expected to get 24-26 per cent.

The outline of the proposed new constitution is already clear. The two parties agreed the main elements in in Congress last December and limited the assembly's deliberations but barring amendments not mentioned in the resolution.

In addition to allowing the re-election of the incumbent president, the term of office is to be reduced from the present six to four years. If Mr Menem wins next year's presidential elections, which looks certain at the moment, he will govern Argentina until 1999, when he will be 69.

In other reforms, part of the president's duties will be carried out by a cabinet chief, a sort of prime minister who can be removed by Congress with a simple majority vote. The opposition hopes this will reduce the president's powers, but Mr Menem has warned he will not cede significant powers.

The 48-member Senate will be increased by half and the 24 new seats allocated to the opposition.

The president's right to rule by decree will be restricted. He will be forbidden from issuing them on tax, criminal law or electoral issues.

A council of jurists will select judges and oversee management of the judiciary. At present, judges are selected by the executive and approved by the Senate.

The supreme court is responsible for the management of the judiciary. This is intended to strengthen the court's independence.

The opposition will appoint the head of the national audit bureau, which monitors government spending, and it will be subordinated to Congress. The current, toothless audit bureau is part of the executive.

The constitutional reform is a triumph for Mr Menem's formidable political skills. He needed the backing of his old rival, Mr Raúl Alfonsín, the former president and now Radical leader, to win the two-thirds majority vote in Congress to start the reform process.

He achieved this by threatening to call a plebiscite last November. Mr Alfonsín feared defeat would destroy the Radicals and divide the country. He decided to open secret negotiations with Mr Menem but demanded, and won, a purge of supreme court justices as a gesture of good faith.

> Argentina has a tradition of strong leaders. Voters, content to keep a successful government in office, see no alternative to Mr Menem

Mr Menem has a positive poll rating of 47 per cent, despite growing economic hardship and widespread disgust at government corruption. Argentina has a tradition of strong leaders and voters see no alternative to Mr Menem.

Furthermore, they are content to see a successful government continue in office. However, the elections have aroused scant interest. Pollsters are predicting the lowest voter turnout since the 1930s.

Mr Menem has become Argentina's strongest leader since Juan Péron was president in 1946-55. He has amassed greater personal power than the nine generals who ran the country intermittently between Péron's fall and the return of civilian rule in 1983.

However, Mr Menem owes much of his popularity to the successful market-oriented policies if his economy minister, Mr Domingo Cavallo. The Radicals' ineptitude and the strong Peronist party machine have also helped him.

The new constitution promises a continuation of "Menemismo", rather than the creation of strong, independent institutions Argentina needs to consolidate its economic reforms.

"In the short and medium term there will be no change in the accumulation of power in Menem," says Mr Rosendo Fraga, a political analyst. Key amendments, such as reform of the judiciary, require passage of enabling legislation through Congress, which is controlled by the government, he points out.

Menem: positive poll rating of 47 per cent — Reuter

Canberra sees jobless rate of less than 10%

By Emilia Tagaza in Melbourne

Australia is forecasting a fall in its unemployment rate to below 10 per cent by the end of this year.

Mr Simon Crean, employment minister, made the prediction following the release yesterday of official statistics showing unemployment rate dropping to 10.3 per cent in March, the lowest monthly figure in two-and-a-half years, from 10.6 per cent the previous month.

This is the seventh consecutive month Australia has recorded growth in employment, with nearly 160,000 jobs created since August last year.

The release of the figures coincided with the publication of a report by the Organisation for Economic Co-operation and Development (OECD), which says that Australia's unemployment rate will remain at around 10 per cent for another two years.

Mr Crean said OECD's view of Australian jobs was based on surveys conducted in August last year when unemployment rate was above 11 per cent. The sharp turnround in December made the report look too pessimistic.

The report recommends further labour market reform, suggesting that Australia should "make a decisive break with the award system", in which wages are centrally negotiated between unions, employers and the federal government. It also suggests that wages for youth, the long-term unemployed and unskilled job seekers may be too high.

Market analysts are cautious about the jobless trend. The so-called participation rate, which reflects the number of people actively seeking jobs, has remained flat during the last three months. The rate is bound to rise again as the economy recovers, thus getting the unemployment rate to less than 10 per cent more difficult.

While the OECD is not very optimistic about jobs, it predicts the Australian economy will grow 3.5 per cent to 4 per cent through 1994 and 1995, with only a slight rise in inflation. The economy registered 4 per cent growth in 1993.

The OECD also predicts a much-awaited recovery in business investment. It rules out huge increases in current account deficits in the short term.

The report gives credit to the Labor government's moves to open the economy to international competition. It praises the medium term plan to reduce the budget deficit to 1 per cent of GDP gross domestic product by 1996-97.

Rwanda PM and UN team die in rampage

By Leslie Crawford in Nairobi and Agencies in Kigali

A spate of murder and pillaging in Rwanda yesterday claimed the lives of Ms Agathe Uwilingiyimana, the prime minister, as well as three Belgians acting as military observers for the United Nations.

The murders follow the assassination on Wednesday night of Gen Juvenal Habyarimana, president of the impoverished east African country.

A UN official in the capital Kigali said the premier was killed near the presidential palace.

UN headquarters in New York said a number of other observers in the UN Assistance Mission to Rwanda (Unamir) were missing.

Gen Habyarimana and President Cyprien Ntaryamira of neighbouring Burundi were both killed when their aircraft was shot down as it was preparing to land in Kigali. The presidents were flying back from regional peace talks in Tanzania.

Two other Burundi ministers, five senior Rwandan officials including the army chief of staff and the French crew of the presidential jet were also believed to have died on the aircraft.

The killings have derailed Rwanda's UN-sponsored peace process, already under severe strain. A three-year civil war waged by the rebel Rwandan Patriotic Front (RPF) ended with a peace agreement last year. But the president, who took power in a 1973 coup, had angered much of the population by delaying the formation of a national government which included a power-sharing agreement with the RPF.

Even before Gen Habyarimana's assassination, Rwanda was tense. Two government ministers had been hacked to death. The bankrupt government was weighed down by a drought and 400,000 refugees from tribal killings in neighbouring Burundi.

Gen Habyarimana's death has left a power vacuum in Rwanda. Army troops, presidential guards and gendarmes were yesterday reported to have gone on the rampage in Kigali. Residents said they could hear sporadic gunfire and mortar bombs exploding.

The UN headquarters in Kigali was reported to have come under mortar fire. The world body has 2,500 UN peacekeepers stationed in Rwanda. The turmoil in Rwanda has spelled another blow to the beleaguered UN peacekeeping missions in Africa.

In Nairobi Mr Habi Mana, the Rwandan ambassador, blamed the killings on the rebel RPF. "The plane was blown up by a Soviet-made Sam-7 missile, which have been used by the RPF in the past. The Rwandese army has no Soviet military equipment," he said.

The RPF denied it was involved in the attack. "The plane was shot down from the airport base, which is controlled by the gendarmerie. The area is heavily guarded and totally out of bounds to the RPF," Mr Paul Dusaidi of RPF said in New York.

Diplomats believe Gen Habyarimana was the victim of a power struggle between rival military forces.

Burundi was reported quiet yesterday, despite the loss of its second president from the Hutu tribe in less than six months. President Ntaryamira had been appointed in January to replace Mr Melchior Ndadaye, Burundi's first democratically elected president, who was murdered after less than 100 days in office.

Mr Ndadaye's assassination by Tutsi paratroops triggered a bloodbath in Burundi. In Rwanda, the killing of a Hutu president was used as an excuse to delay the country's slow march to democracy. President Habyarimana, also a Hutu, feared sharing power with the Tutsi-led RPF.

Remote, populous and poor

RWANDA

Area and people

26,340 sq km (10,170 sq mi)

8.2m population (1992), of which: About 85% are Hutu, a farming people, with rest mainly Tutsi, semi-nomadic herdsmen, plus some Twa, a group related to Pygmy people of Zaire

120,000 live in the capital Kigali. Most Rwandans live in countryside as subsistence farmers in one of world's most densely populated areas: 304 per sq km

Adult literacy 50% (average of 40 low-income countries 40%)

The economy

One of world's poorest countries: GNP $1.6bn (1992)

GNP per capita $270 (1991: low-income country average $350)

Exports $142.7m (1992); main cash crop coffee, which accounts for 80% of export earnings.

External debt $873.3m (1992); total debt as % of GDP 55.4% (low-income country average 46.6%)

Rwanda and IMF announced structural adjustment programme in 1990 but implementation hindered by rebel invasion

BURUNDI

Area and people

27,830 sq km (10,750 sq mi)

6.0m population (1992), of which: Like Rwanda, about 85% are Hutu, with the rest mainly Tutsi, plus some Twa

180,000 live in the capital Bujumbura and 15,000 in Gitega. Like Rwandans, most live on small farms: 210 per sq km

Adult literacy 50%

The economy

Also one of world's poorest countries: GNP $1.1bn (1992)

GNP per capita $210 (1991)

Exports $69m (1992); main export coffee; trying to diversify by increasing tea output and horticultural exports

External debt $1,023m (1992); total debt as % of GDP 99.1%

Burundi embarked on World Bank structural adjustment programme in 1986, liberalising trade and prices

Source: World Bank, Reuter and FT estimates

Israelis relive Holocaust fears

By Julian Ozanne

For many Israelis yesterday, the annual remembrance of the 6m Jewish victims of the Nazi Holocaust had a special significance. Wednesday's killing of seven Jews and the threat by the extremist Islamic Hamas movement to step up "real war" against Zionists made the fears of some more real.

"It is a day we really feel the Holocaust is not the past but the present, that it could be the destiny of this nation," said Dr Ruth Firer, a specialist in the teaching of the Holocaust in Israeli schools. "Emotionally, every time violent events against Jews happen like this, all our traumas and fears of survival come up."

In a Holocaust memorial speech on Wednesday, President Ezer Weizman honoured the victims of a suicide car-bomb in the northern Israeli town of Afula.

"Today, the eve of Holocaust and Heroism Remembrance Day, we paid a heavy price because we are Jews, for our desire to live peaceful and independent lives in the land of Israel. The historic cycle of blood continues."

Israelis stand by their cars in Jerusalem's morning traffic for the two-minute silence marking Holocaust Remembrance Day AP

For two minutes at 10am yesterday, Israel came to an eerie standstill. At the sound of sirens, drivers stopped their vehicles in the middle of the streets, switched off their engines and got out of their cars. Along the pavements Israelis halted, stood to attention and bowed their heads in solemn and frozen silence.

Nearly half a century after the end of the second world war, Jews remembered the most psychologically powerful event in their history and the most important driving force behind the creation of the state of Israel in 1948.

"It's very important to remember and honour those who died," said Ms Tali Gil, 21, who has just completed military service, after the sirens ended in Jerusalem. "It reminds us that it could happen again to the Jews."

During the 24 hours' remembrance, government officials broke off peace talks with Palestinians in Cairo to attend memorial events back home. Bars and restaurants closed on Wednesday night. National and cable TV broadcast only Holocaust films and documentaries.

The respected Hebrew newspaper Ha'aretz criticised the German embassy on yesterday's front page for throwing a party the previous evening honouring a visiting minister. Ha'aretz said the garden was lit up in colour and after the meal guests drank and laughed on the balcony.

For some Jews, the suffering of the Holocaust is a justification for the Israeli repression of the Palestinians.

"If we had not had the holocaust we could not have thrown the Arabs out across the river to Jordan," said Mr Ronnie Iloz, a shopkeeper.

Others criticise the way right-wing politicians frequently exploit the Holocaust and compare the Arabs to the Nazis in rhetoric depicting Jews as victims surrounded by hostile forces.

"We have to be very careful not to let the holocaust control our lives, because we may lose our ability to change, to take risks and go through the peace process," said Dr Firer. "We are now taking the biggest risk the Jewish nation has taken in modern times, but politicians use the Holocaust to terrify the people. We have to free ourselves from this trauma or we won't be able to take this risk and go to the future with Arabs, hoping the peace has a real chance."

Global awareness of the Holocaust was lifted by the film Schindler's List, which is playing to packed houses in Israel, and the opening last year of the Holocaust museum in Washington has also raised the debate about the way Jews see themselves, especially in the Diaspora.

Mr Eric Silver, an Israeli journalist and author, says: "The Holocaust gives a negative image of the Jew as a helpless victim and builds up Jewish paranoia. This is dangerous and unhealthy rather than identifying with the positive aspects of being Jewish."

The other question is whether the memories of Holocaust survivors are still strong enough to be relevant. The recent release of Mr John Demjanjuk, wrongly identified by several survivors as Ivan the Terrible of the Treblinka death camp, raised calls in Israel to forget the past and may have signalled the end of an era of effective Nazi hunting.

Powers of KwaZulu under fire

By Michael Holman and Patti Waldmeir in Johannesburg

Prospects for a negotiated resolution of South Africa's political crisis receded last night after the African National Congress called for withdrawal of the powers of the KwaZulu "homeland" government.

There were signs of a further clampdown yesterday when troops of the newly-formed National Peacekeeping Force were deployed for the first time in townships near Johannesburg. A BBC correspondent saw 40 of the distinctive light blue vehicles of the force move into East Rand townships.

The force was formed two months ago by integrating elements of the South African Defence Force, the ANC's armed wing Umkhonto we Sizwe, and the armies of black homelands, and has been plagued by ill discipline.

The ANC said it would "not surrender to attempts to blackmail the people of South Africa into accepting postponement of the elections through the creation of a climate of rising violence and terror."

The statement will do little to improve the mood at today's meeting between President F.W. de Klerk, ANC leader Mr Nelson Mandela, Chief Mangosuthu Buthelezi and Zulu King Goodwill Zwelithini.

Nuclear warning stirs concern

Korean worries mount in Japan

By Michiyo Nakamoto in Tokyo

The building of tension on the Korean peninsula and the possibility that North Korea is developing nuclear weapons have stirred deep private concerns in Japan that are masked by a public calm.

Reports of a North Korean warning that if the country had a nuclear weapon, it would be aimed at Japan rather than at South Korea or the US, have produced either silence or cryptic responses from Japanese government officials and the media.

Reasons for the uneasy silence are the sensitivities towards a large Korean community in Japan and a reliance on the protective shield of US forces that makes it difficult for many Japanese to discuss openly the possibility of a military crisis on their doorstep.

"It is a very sensitive issue," Ms Mayumi Moriyama, member of Japan's upper house and a former chief cabinet secretary, said earlier this week.

"As we are much closer and have a very close relationship with them, it's very difficult to discuss it openly."

Bureaucrats and politicians alike have been reticent on the subject. The report that North Korea's ambassador to India had stated his country's weapons would be aimed at Japan produced the response that the foreign ministry was trying to confirm the comments.

"We are taking the matter very seriously but we do not want unwittingly to arouse the emotional temperature by making comments," one official said – a standard line by foreign ministry officials.

Officials are avoiding comments that could be interpreted by North Korea as Japanese aggression or that could upset Korean residents in Japan.

North Korean officials claim that they suspect Japan's nuclear motives, but Pyongyang has refused to allow full inspections of its nuclear sites, prompting international concern that it is developing nuclear weapons.

The lack of official Japanese comment has meant that fears of developments on the Korean peninsula and to what extent the country is prepared for the worst have been fed largely on speculation, educated or otherwise.

Japanese newspapers have reported this week that an unnamed government official had commented cryptically on the need to review Japan's defence programme in the light of the North Korean situation.

The Social Democratic party, which is friendly towards North Korea and officially opposed to Japan's self-defence forces, is reportedly considering despatching a team to North Korea.

The SDP is the largest member of the seven-party ruling coalition.

If the Japanese authorities prove themselves capable of handling the current situation with any more ease than they handled the country's much criticised role in the Gulf war, the most surprised will be the Japanese public itself.

India reports 6.7% rise in industry output

Industrial production in India rose 6.7 per cent in December compared with the same month a year earlier, according to figures published yesterday which offered fresh evidence that industry is seeing a steady recovery after two years of stagnation, writes Stefan Wagstyl in New Delhi.

The increase compares with a rise of just 2.4 per cent for the nine months to the end of December, said the government's central statistical organisation. The largest increase was registered by makers of machinery, which had previously suffered the steepest declines in output.

Business welcome but it must be more competitive, Balladur told

China warns French exporters

By Tony Walker in Beijing

Chinese Premier Li Peng yesterday held out little hope a Sino-French political rapprochement would yield early dividends for French companies seeking opportunities in the cut-throat Chinese market.

Mr Li told Mr Edouard Balladur, France's prime minister, that while French business was welcome it must be more competitive.

Mr Balladur's four-day mission to China is aimed at opening a new chapter in relations after the two sides agreed to put behind them a row over French arms sales to Taiwan.

But unlike a high-profile selling mission to China last November by Chancellor Helmut Kohl of Germany, Mr Balladur's aims are more modest and include refurbishing political relations between fellow-permanent members of the United Nations Security Council.

Mr Balladur's arrival in Beijing was overshadowed by a widening international argument over China's detention of Mr Wei Jingsheng, its most prominent dissident, for interrogation over alleged breaches of parole and "new crimes".

The episode has provoked sharp exchanges between Beijing and Washington and further complicated President Bill Clinton's decision, due in the next few months, on renewal of China's low-tariff access to US markets.

China yesterday firmly rebuffed US criticism over Mr Wei's detention, with a foreign ministry spokeswoman saying it was "inappropriate for any foreign country to make irresponsible remarks on this matter". Earlier the State Department said in Washington "the United States very much regrets China has taken this step".

Mr Alain Juppé, France's foreign minister, who is with Mr Balladur in Beijing, in an interview with the French daily Libération, was sharply critical of China's human rights behaviour. China's economic development, he said, would eventually "render the system of repression untenable". He described human rights progress since the June 1989 massacre of pro-democracy activists as "insufficient".

French business had hoped Mr Balladur's mission would ease market access after a recent chill prompted by a 1992 deal by the previous French government to allow the sale of 60 Mirage fighters to Taiwan.

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Protesters die in Dacca riots

Thousands of protesters throwing rocks and crude bombs tried to occupy the main Bangladeshi government building yesterday, but were driven off by teargas and rubber bullets fired by police, AP reports from Dhaka.

Police gave no casualty figures but doctors said at least two people were killed and 21 injured. The protest was organised by the Awami League, the largest opposition party, to demand the resignation of the three-year-old government of Mrs Khaleda Zia. The next election is due in 1996.

Russians spend $1bn in UAE

Russian tourists who flock to the United Arab Emirates to buy cheap consumer goods spent over $1bn in 1993, Russia's UAE ambassador was quoted yesterday as saying, Reuter reports from Dubai.

Mr Oleg Derkovsky said 250,000 citizens of the Russian Federation visited the UAE in 1993, as well as 200,000 from former Soviet republics.

Disasters cause $11.6bn damage

Natural catastrophes and accidents in 1993 caused insured damage worth $11.6bn worldwide, less than half the record 1992 amount of $26.4bn, according to Swiss Reinsurance, Reuter reports from Zurich.

30,000 people died in the 30 catastrophes in 1993. The largest single event, windstorms in the US in mid-March cost the insurance industry $1.8bn.

Marcos charged

Mrs Imelda Marcos, the Philippines' former first lady, was charged yesterday with embezzling nearly 100m pesos ($3.7m) in government funds 10 years ago, AP reports from Manila.

Indochina's 'golden gate' reaches the outside world

New bridge is a powerful symbol of the region's reintegration into south-east Asia, writes **Victor Mallet**

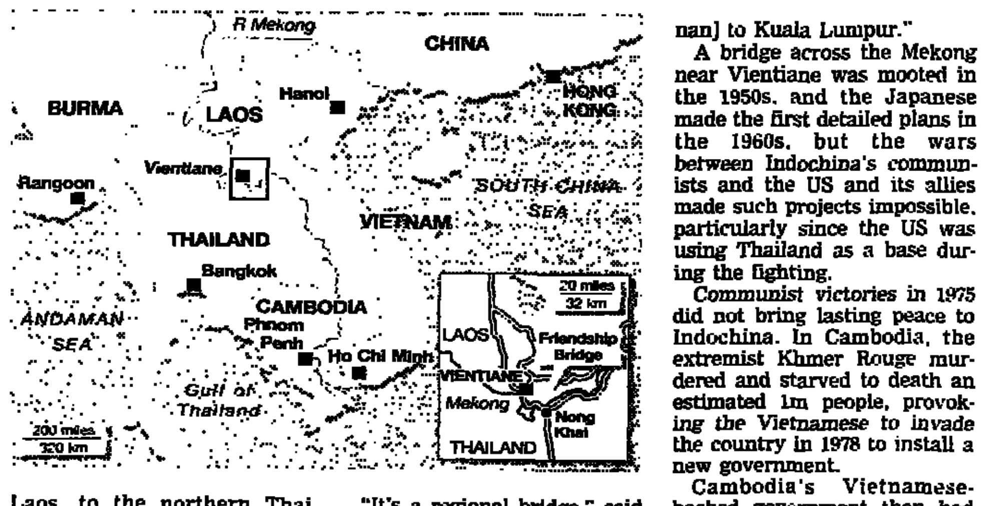
To call the new bridge across the Mekong River "the golden gate to Indochina", as does General Chatichai Choonhavan, Thailand's former prime minister, is a pardonable exaggeration.

The "Friendship Bridge" across 600m of muddy water between Thailand and Laos is an unremarkable concrete structure, but the ceremonial opening of the bridge today is a powerful symbol of Indochina's reintegration into south-east Asia.

Built with Australian aid at a cost of $30m (£20.2m), the bridge is the first to span the 2,400km-long stretch of river between the Chinese border and the Mekong Delta of southern Vietnam. It is unlikely to be the last.

A region once notorious for wars, opium-growing and poverty is now eagerly developing trade, industry and tourism as it races to catch up with the other fast-growing economies of Asia.

The bridge linking Vientiane, the capital of landlocked



Laos, to the northern Thai town of Nong Khai is only the most visible aspect of this process. Roads, ports, airports and railways are being improved, and it becomes easier by the month to travel in the three countries of Indochina – Vietnam, Cambodia and Laos – and move between them and their Asian neighbours.

"It's a regional bridge," said Mr Michael Mann, Australian ambassador to Laos, during a recent visit to the new bridge. "It links Singapore to Beijing. . .I believe that in ten years' time you'll think nothing of sending a package by trucking company from Kunming [capital of the south-western Chinese province of Yunnan] to Kuala Lumpur."

A bridge across the Mekong near Vientiane was mooted in the 1950s, and the Japanese made the first detailed plans in the 1960s, but the wars between Indochina's communists and the US and its allies made such projects impossible, particularly since the US was using Thailand as a base during the fighting.

Communist victories in 1975 did not bring lasting peace to Indochina. In Cambodia, the extremist Khmer Rouge murdered and starved to death an estimated 1m people, provoking the Vietnamese to invade the country in 1978 to install a new government.

Cambodia's Vietnamese-backed government then had to prosecute a war against Khmer Rouge and royalist guerrillas along the Thai border. Laos, meanwhile, was isolated and forgotten, although rebels based in Thailand continued to harass the communist regime. As recently as 1988, Thailand and Laos fought each other in a border dispute in which hundreds of soldiers were reported killed.

It was only from 1986 onwards that the communist governments of Vietnam and Laos began to reform their economies along free-market lines.

In 1989 Gen Chatichai, who was then prime minister, adopted his policy of transforming Indochina "from a battle field into a market place". Construction of the bridge began in 1991, a month after the signing of the Paris accords that outlined a peace settlement for Cambodia.

Since then, Vietnam and its much smaller neighbour Laos have attracted billions of dollars in foreign investment applications and seen their economies grow at about 8 per cent a year.

The US has allowed the International Monetary Fund and other multilateral organisations to assist Vietnam, and in February Washington finally lifted the US trade embargo against Hanoi that dated back to the Vietnam war.

Cambodia remains the odd man out in Indochina. The United Nations successfully organised an election last year and a coalition government took power, but the Khmer Rouge leaders reneged on their agreement to participate and are still fighting the authorities from their jungle strongholds along the Thai frontier. Foreign investors remain understandably cautious.

Yet even the much-feared Khmer Rouge guerrillas seem unable to resist the wave of economic development sweeping across south-east Asia. Ignoring their own leftist propaganda, they have enthusiastically embraced the free market. They are stripping Cambodia of its assets and selling rubies and logs to Thai traders; they have even sold the forests where they used to hide from government troops. Last month, government forces captured the Khmer Rouge headquarters at Pailin, some eight miles from Thailand.

Faint voices can be heard in Vietnam, Laos and Cambodia warning of the dangers of the kind of obsessive and uncontrolled pursuit of wealth which has devastated Asia's natural environment, destroyed local cultures, encouraged prostitution and corruption, and widened the gap between rich and poor.

There are fears, for example, that property developers will ruin the boulevards of Hanoi, now lined with elegant French colonial villas, and that increased vehicle traffic generated by the bridge will disrupt the peaceful atmosphere of Vientiane, where water buffalo graze in the town centre.

But neither Laos nor Vietnam nor Cambodia have much chance, or desire, to avoid the juggernaut of Asian economic growth. The bridge is a symptom, not a cause, of the increasing integration of Indochina with its neighbours. As Radio Vientiane announced in a recent broadcast: "Laos will finally have a way to connect with the outside world."

UN body's report critical of western help in region

Modest recovery in E Europe foreseen

By Frances Williams in Geneva

The countries of eastern Europe may experience a small economic recovery this year after four years of slump, according to the United Nations Economic Commission for Europe. However, output in Russia and other parts of the former Soviet Union is likely to continue to decline.

In its annual survey of developments in the region, the UN body says aggregate output in eastern Europe could rise by a modest 1 per cent in 1994, the first year of growth since the collapse of the communist system in 1989.

Poland is expected to notch up another year of 4 per cent growth, with more modest gains for Slovenia, the Czech Republic, and possibly Hungary. For other countries in the region, the outlook is for continuing stagnation or further falls in output.

The ECE believes total output in eastern Europe may have fallen by about 3 per cent last year, but this was less than half the 1992 rate of decline.

In Russia and other members of the Commonwealth of Independent States, output plunged on average by some 13 per cent following a 20 per cent drop in 1992. The depression has been greatly intensified by an additional "trade shock" caused by the collapse of trade between CIS members, the ECE says.

The UN body, which groups western and eastern European nations, the US and Canada, has been consistently critical of the way western governments and the main international financial institutions have handled assistance for the process of transition from communist to market economies.

The latest report maintains that western help has been far less than either expected or required, and western finance has flowed mainly to the most successful countries with the highest incomes per head.

Private foreign direct investment into eastern Europe (excluding the CIS) has amounted to less than $10bn since 1990, including flows of about $3.5bn last year.

More than 90 per cent has gone to the Czech Republic, Hungary, Slovenia and Poland, with 80 per cent going to the first two.

Official flows of assistance to eastern Europe totalled some $10.5bn since 1990, the bulk of which has gone to the same four economies, it says. Meanwhile, the CIS republics have attracted negligible amounts of private investment and little official aid.

For the region as a whole, neither the volume nor the co-ordination of international assistance "has... been commensurate with the scale and complexity of the problems to be overcome".

Social hardship in the transition economies, including mounting unemployment, continues to breed a damaging disillusionment with economic reform, the survey adds.

The ECE calls for improved international co-ordination mechanisms to target western assistance within coherent national programmes, combined with more leeway for individual governments to follow political and economic programmes for economic transformation that best suit their countries' needs.

US official seeks to reassure companies over dumping rules

By Nancy Dunne in Washington

US companies were assured yesterday that measures negotiated in the Uruguay Round global trade accord are adequate to deal with dumping.

Mr Jeffrey Garten, US Commerce Department under-secretary, said yesterday that the multilateral dispute settlement system would uphold "well founded" US dumping decisions, while ensuring protection for US exporters from unfair dumping regimes abroad.

The support of companies is vital if the Uruguay Round pact is to win approval in Congress, so Mr Garten, whose responsibilities encompass both the promotion of US exports abroad and the administration of US anti-dumping trade laws at home, sought to reassure them that he is "an ardent supporter of vigorous enforcement" of the US anti-dumping regime.

In a speech to the US Chamber of Commerce, he said the Clinton administration supported "the reasonable concerns of our exporters" about the growing number of foreign dumping regimes. These would be disciplined under the new World Trade Organisation, the successor to the General Agreement on Tariffs and Trade.


Mr Jeffrey Garten: 'Ardent supporter of vigorous enforcement'

"We are drafting implementing language in such a way as to guarantee that our laws are consistent with the letter and spirit of the Gatt Uruguay Round agreement," he said. "We will be reviewing other countries' laws for consistency with the agreement."

Controversy has surrounded the US dumping regime as large exporters find themselves increasingly under siege from "copycat" anti-dumping laws abroad. At the same time, many US companies see the regime as the last defence against cheap imports.

There is pressure for more protective language in the Uruguay Round implementing legislation, which must be approved by Congress. The Labour/Industry Coalition for Trade (LICIT) claimed last month in a report that while Gatt panels reviewing national anti-dumping laws "are instructed to defer to reasonable findings of fact and law of national bodies, it is unclear that there is any way to ensure that they will".

The report said the US failed to achieve a key objective in the Round: strengthening international rules relating to anti-dumping. "In many cases, dumping margins can be expected to decline under the new rules. However, the anti-dumping laws will remain usable by US industries - provided the implementing legislation strengthens US law to the extent permitted under the new agreement."

Japanese groups in Thai steel venture

Thailand's largest cement and building materials conglomerate, Siam Cement, has tentatively agreed to build a steel plant in a joint venture with Nippon Steel and Mitsui & Co of Japan, writes William Barnes in Bangkok.

The $580m (£395m) plant would supply up to 1m tonnes of cold-rolled steel a year by 1997 to Japanese car-makers in Thailand and south-east Asia's booming construction industries. Siam Cement is already setting up a hot-rolled steel factory called Siam Yamato with Mitsui, Yamato Kogyo and Sumitomo Corp.

Siam Cement and its prospective partners appear confident that Thailand's Sahaviriya Steel Industry Co will not be able to make the government enforce a 10-year protective ban on rival domestic competition for its new $504m hot-rolled, cold-rolled and galvanized steel plant.

There is speculation the ban will have to be lifted shortly to comply with the General Agreement on Tariffs and Trade; at least one other group is known to have asked for a steel-making licence.

Marubeni in China computer tie-up

By Michiyo Nakamoto in Tokyo

Marubeni, the Japanese trading house, has agreed a wide-ranging tie-up with a Chinese computer company to sell personal computers and other electronic equipment in China and other parts of Asia.

The deal calls for Marubeni and the Legend Computer Group, one of the three largest PC makers in China, jointly to develop, produce, market and service personal computers, communications equipment and medical analysis systems. Legend, based in Beijing, produces IBM-compatible PCs while Marubeni is the second largest dealer of Apple PCs and the first in Apple software in Japan.

The Marubeni-Legend tie-up is a bold step by Marubeni to establish itself in the Chinese market at an early stage.

Unlike Japanese groups, US computer companies have moved quickly into the Chinese market

The two will build up a sales network which will initially be based on Legend's distribution network in Beijing, but which they hope to increase to 200-300 offices throughout China in three years' time.

The joint venture will begin by selling Apple's Macintosh desktop PCs, but gradually expand their range to other PCs as well. The accord also calls for the two to develop Chinese language software which could be marketed to the large Chinese community in other parts of Asia.

In addition, Marubeni is also considering importing Legend's products into Japan once they become more competitive.

Marubeni's move reflects growing Japanese interest in China's PC market, which is expected to take off in the near future. Japanese trading houses in particular are keen to play a role in this market by establishing distribution networks.

US computer companies such as IBM, Compaq and Apple have moved quickly into the Chinese market.

By contrast, Japanese computer manufacturers have been slow to take steps into China, despite the advantage they have of sharing a written language based on ideograms.

NEC, Japan's largest computer maker, sells workstations in China on an individual contract basis and has joint ventures with Chinese companies in pagers, optic fibre cable, semiconductors and telecoms equipment, but does not sell PCs.

Toshiba says that it believes China is a promising market but has no plans to set up an office there yet.

"Are we interested? Yes. But it's just now that the Chinese language systems are coming out," says Mr Mike Beirne at Fujitsu. "There hasn't been a market."

Electricity project to go ahead in India

By Stefan Wagstyl in New Delhi

The promoters of a planned $280m privately owned Indian power station yesterday announced the approval of bank loans for the project. They said it was the first new private sector electricity generating project to secure full financial support.

GVK Industries, a diversified chemicals and property company, said that construction would start in June on the 235MW project at Jegurupadu in Andhra Pradesh.

The company is developing the scheme in partnership with ABB, the European engineering combine, CMS Group, a US energy utilities company, and the Andhra Pradesh state electricity board. The Asian Development Bank and the International Finance Corporation, an arm of the World Bank, are also taking equity stakes.

The project follows two years of Indian government efforts to attract private investment, including foreign capital, into the chronically underfinanced electricity supply industry.

The government hopes the scheme will encourage the promoters of others. The power ministry has received expressions of interest from 75 groups, including 35 foreign companies, of which 22 were from the US, mainly from generating companies.

However, only a handful have signed power purchase agreements - essential pacts between the would-be generator and the customer, usually the state electricity board.

Other private sector schemes at an advanced stage of preparation include plans by Enron, a US energy group, to build a $900m 695MW station at Dhabhol in Maharashtra state, a 420MW scheme for Orissa, promoted by AES, another US generating group, and plans for a 1,000MW plant at Vizag in Andhra Pradesh sponsored by National Power of the UK and the Hindujas, a London-based Indian business family.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for April 15 to May 14 1994 (March 15 - April 14 1994 in brackets).

D-Mark	6.89 (6.78)
Ecu	6.65 (6.49)
French franc	7.14 (6.72)
Guilder	
up to 5 years	6.85 (6.40)
5 to 8.5 years	7.25 (6.80)
more than 8.5 years	7.90 (7.45)
Italian lira	9.03 (8.38)
Yen	4.20 (4.20)
Peseta	9.57 (8.84)
Sterling	7.83 (7.12)
Swiss franc	5.51 (5.33)
US dollar for credits	
up to 5 years	6.40 (5.83)
5 to 8.5 years	6.94 (6.40)
more than 8.5 years	7.28 (6.72)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1994, the SDR-based rate will be 5.85 per cent. It replaces the previous rate of 6.85 per cent. The SDR-based rate will again change on July 15 1994.

Far right tries to build on success

By Alan Pike, Social Affairs Correspondent

The far right British National Party, which won its first ever local authority seat in a by-election at Tower Hamlets in September, will contest eight seats in the east London borough in next month's council elections.

BNP candidates will run on the Right For Whites platform which brought the party its success in September. Tower Hamlets has the most decentralised structure of any local authority with the borough divided into seven largely autonomous neighbourhoods.

The BNP candidates are concentrated in two of the seven - Isle of Dogs and Globe Town - with the party running sufficient candidates to control both if they won. This would put around £40m of expenditure in BNP hands.

The party's September by-election success was in the Isle of Dogs, where it appears to have successfully exploited concerns about housing among the predominantly white population. Since September BNP activists have campaigned hard in the area to consolidate their position. There has been a significant increase in racial attacks and other racially motivated incidents in Tower Hamlets since the by-election.

All other seats on the council are currently held by the centrist Liberal Democrats and Labour. The divisions and recriminations in both parties arising out of the BNP's success are illustrated in yesterday's nominations for next month's elections.

Mr James Hunt, the Labour candidate who resigned from the party after losing the seat to the BNP, is standing as an independent on a Putting the Island First platform. Mr Jeremy Shaw, who resigned from the Liberal Democrats during an inquiry by the national party which found that some Tower Hamlets' Liberal Democrats leaflets had pandered to racism, is one of several Independent Liberals standing against official Liberal Democrat candidates.

Ceasefire hopes fade in Ulster

Michael Cassell, Tim Coone, and David Owen detail moves on efforts to win lasting peace

Hopes that the Irish Republican Army might react to widespread pressure by extending its three-day ceasefire, which ends at midnight tonight, appear to have been dashed by Mr Gerry Adams, president of Sinn Féin, its political wing.

With the UK prime minister's office at Downing Street yesterday rejecting Mr Adams' latest request for direct talks and the IRA facing renewed calls from Dublin, nationalist politicians and churchmen to prolong the ceasefire, the Sinn Féin president said he believed it was "unlikely, even logistically, for the IRA to extend its suspension".

With the ceasefire drawing to an end and fears rising of a return to violence in the province, both sides were engaged in efforts to hold each other responsible for the deadlock in the peace process.

Downing Street last night formally rebuffed the demand from Sinn Féin, the political wing of the IRA, for direct dialogue, denying its claim that the UK government had brought about a stalemate.

But its carefully crafted two page letter was markedly less blunt than the curt four-paragraph response it made to a previous letter from Mr Adams in January.

Yesterday's letter, signed by a senior official, said any pause in the movement towards peace was "because of the continuing violence, and Sinn Féin's failure unequivocally to renounce violence as a means of achieving political ends".

Downing Street also reiterated Mr Major's pledge that the government would be ready to enter preliminary dialogue with Sinn Féin "within three months" in the event of a permanent end to violence and a commitment by Sinn Féin to the democratic process.

Mr Albert Reynolds, Irish prime minister, yesterday broke off from his holiday in Cyprus to claim that an extension to the ceasefire was "essential" if the strong momentum for peace was to be maintained.

His message was repeated in a hard-hitting speech by Mr Dick Spring, Irish foreign minister, who called the IRA ceasefire "pathetically brief" and called for it to be permanently extended.

Mr Spring used a conference in County Kerry, on the Irish west coast, to challenge republican leaders to display "vision and courage to build", rather than to destroy. An extension of the ceasefire would enable a clearing of the air on the clarification issue, whereas a renewal of violence would result in the republican movement being isolated "in a murderous cul-de-sac".

He insisted that the Downing Street declaration remained the only way forward for political progress in Northern Ireland.

He told his audience that a renewal of violence would "not appreciably change the basic realities in the declaration". He said Sinn Féin's failure to specify its concerns over the declaration had given rise to "understandable worries" that Sinn Féin's aim is to draw both governments "into a world of verbal mirrors and shifting goal-posts" and to enter political negotiations "on a basis of armed conflict".

Mr Spring also criticised unionist leaders for their "dogmatic refusal" to join talks which he said they should do out of "enlightened self-interest". The unionist community must direct itself towards "the long overdue task of developing the politics of accommodation rather than denial", he said.

Education minister John Patten chats with British businessmen in Knala Lumpur

Malaysian ban begins to bite into British ambitions

By Kieran Cooke in Kuala Lumpur

Mr John Patten, the UK education secretary, was in Kuala Lumpur this week - the first cabinet minister to visit Malaysia since Dr Mahathir Mohamad, the Malaysian prime minister, announced a ban on awarding government contracts to British companies.

The ban, imposed more than six weeks ago, was in retaliation for unfavourable reports about Dr Mahathir and Malaysia which had appeared in the British press.

"I've been heartened by the warmth of my reception" said Mr Patten. Despite the bonhomie, there is no sign of Malaysia lifting its ban. British companies are beginning to feel its effects. The most serious blow has been the project to build a new international airport outside Kuala Lumpur.

Ajac, a consortium of BICC, GEC-Marconi, Gammon and Trafalgar House of Britain and Marubeni of Japan, carried out initial planning on the airport - one of southeast Asia's biggest projects priced at between M$9bn (£2.3bn) and M$12bn. Subsequently Ajac was given the design and engineering contract for the airport.

Ajac companies had been hoping to win millions of pounds worth of work on the project. But the Malaysian works ministry has disclosed that it is vetting 29 pre-qualification applications to bid for the airport's construction. "None of them is British" said the ministry.

John Laing, which is involved in various multi-million pound contracts in Malaysia had put in a preliminary tender for a M$3bn terminal at the airport. It has now withdrawn - apparently its local and foreign partners had fears that its inclusion could jeopardise their chances of winning the contract.

A similar picture is emerging elsewhere. The British National Grid company was to have participated in a M$1.6bn project to install power transmission lines for Tenaga Nasional, Malaysia's semi-privatised electricity utility. Pressure from local partners is likely to result in National Grid withdrawing.

Recently a group of British oil industry experts gave a seminar to Petronas, the Malaysian state oil company. Soon afterwards Petronas announced that British companies would be excluded from all future contracts in Malaysia, including production sharing agreements.

"The longer it goes on, the worse it gets" said one British executive based here. "It seems we are just laying down and being kicked."

As sanctions against British companies begin to bite, others are waiting to snap up business opportunities. Britain had been hoping to win a share of work on a M$4bn programme to equip the Royal Malaysian navy with a new generation of patrol vessels.

Over the past 10 days high powered delegations from France and Sweden have been suggesting collaborative work on the vessels. Similar delegations are due to arrive from Germany and Australia.

Mr Patten will be taking an optimistic message back to London on the educational front. Malaysia needs British assistance if it is to educate enough people and sustain its soaring economic growth. But the outlook for British companies in Malaysia remains grim.

Britain in brief

Istanbul allegation on Polly Peck

The administrators of Polly Peck International – accountants Mr Richard Stone, Mr Michael Jordan and Mr Christopher Morris – were served papers by the Turkish public prosecutor's office alleging improper behaviour over a $96,000 payment made by a PPI subsidiary.

An official for the public prosecutor's office said the case had been transferred to the criminal court where it is expected to be heard in two months. Mr Stone and Mr Jordan work for Coopers & Lybrand and Mr Morris for Tonche Ross.

The move prompted strong protests from other Coopers partners who insisted it was simply part of the "ongoing harassment" by Mr Asil Nadir, the former Polly Peck chairman, in an effort to obstruct their efforts.

The payment concerned was one of $96,000 made by A N Graphics, a PPI printing subsidiary to PPI holdings BV, an intermediate holding company within the group. The papers served on the administrators allege the payment was improper and a breach of fiduciary duty. However, a statement issued by the accountancy firm yesterday said the payment had been legitimately carried out under Turkish law.

British Gas closes shops

British Gas announced the closure of 187 of its showrooms as part of its wide-ranging restructuring in preparation for losing its monopoly over 18m domestic customers in 1996.

Mr David Brooks, managing director of British Gas Retail, said the shops on the closure list were uneconomic and would be phased out over the next 18 months.

The remaining shops would still constitute the largest gas retail network in the UK, he said.

Householders beat VAT

UK householders have paid out £990m to electricity companies and British Gas in order to avoid paying value added tax on future fuel bills. People in the south of England have participated far more actively than others in the race to beat the tax collector.

A final count among British Gas and electricity companies by the Financial Times shows that 1.1m power consumers and 500,000 British Gas customers made advance payments ahead of the VAT imposition on April 1. The pre-payments will be deprive the Treasury of at least £79m, since the VAT will initially be levied at 8 per cent.

Call for a fairer society

Britain needs to become a fairer society if economic efficiency is to be significantly improved, Mr Gordon Brown, the opposition Labour party's 'shadow' chancellor, is to argue next week.

Mr Brown will use a lecture to set out a vision of a high-skilled Britain in which all forms of privileged discrimination have been removed. This would require a programme of investment and training, including the creation of a transnational university for industry, modelled on the Open University.

Dutch treat...

England's cricket counties are set to invite the Netherlands to play in next season's NatWest Trophy competition.

Scotland and Ireland already play in the knockout 36-team tournament but the Dutch will be the first from mainland Europe to take part if Friday's ballot of the 18 English first-class teams goes in their favour.

The Netherlands' team, which expects to hear the result of the ballot on Monday, will have to play all its NatWest Trophy games on the road until it switches to playing on natural turf instead of an artificial surface.

NEWS: UK

Engineering, food support output rise

By Emma Tucker, Economics Staff

HIGHER output from the engineering industries and a rise in food production were the main influences behind the sharp rise in UK manufacturing output between January and February.

The 0.6 per cent month-on-month increase meant that for the second month of the year, manufacturing output remained well above the levels recorded in the second half of 1993.

In the three months to February it rose 0.8 per cent, and was 2 per cent up on the same three months a year ago.

In the three months to February, output of the engineering and allied industries - which has the highest weighting within manufacturing - rose a seasonally adjusted 1.6 per cent to stand 1.8 per cent up on the same three months a year ago.

A particularly strong sugar harvest pushed food, drink and tobacco production up a seasonally adjusted 0.4 per cent in the latest three months, compared with the previous three month period, although it was down 0.2 per cent on the same period a year ago.

Most of the other manufacturing sectors also increased their production levels. Output of wood and wood products - boosted by higher furniture production - grew by 5 per cent, compared with the previous three month period, while output of electrical equipment picked up by 2.8 per cent.

This mainly reflected strong growth in production of computers but also of telephones and related equipment, and domestic electrical goods. Rubber and plastics industries increased their output by 3.7 per cent in the latest three months.

The most notable falls were 2.9 per cent in the coke, mineral oil refining and nuclear fuels industries, 2.2 per cent in the output of non-metallic mineral products - covering a number of products related to the construction industry - and 1.8 per cent in the output of basic metals and metal products.

Oil and gas production surpassed its previous 1987 peak, increasing by 8.2 per cent on the previous three months. Compared with the same three months a year ago, it was 29.9 per cent higher.

Coal production, by contrast, continued to decline, dropping 14.9 per cent in the three months to February, compared with the previous three months, a reflection of the new lower volume contracts negotiated between British coal and electricity board.

Colder than average autumn months, followed by warmer than average winter weather led to a drop in the three-month on three-month comparison for gas and electricity output. It was 6.5 per cent lower than in the previous three months.

Many analysts were encouraged by the strong growth of investment goods. This was the fastest growing market sector. A 1.8 per cent increase in the three months to February - on the previous three months - compares with growth of 0.6 per cent for consumer goods and 0.1 per cent for intermediate goods.

Mr Ian Shepherdson, economist at Midland Global Markets said the rise in investment goods output was "evidence that the recovery is shifting in favour of industry, which is vital if consumer spending slows in the face of tax rises."

● The surge in North Sea oil and gas production which has helped to underpin recent industrial output lifted total UK primary fuel production in the three months to February by 9.4 per cent, according to the Department of Trade and Industry. Oil production in the period was 30.5m tonnes, up 25.8 per cent compared with the same period in 1993.

The Concorde trial for AZT is confirmed: FT writers assess the future for patients and for Wellcome

Effective Aids treatment still out of reach

By Clive Cookson, Science Editor

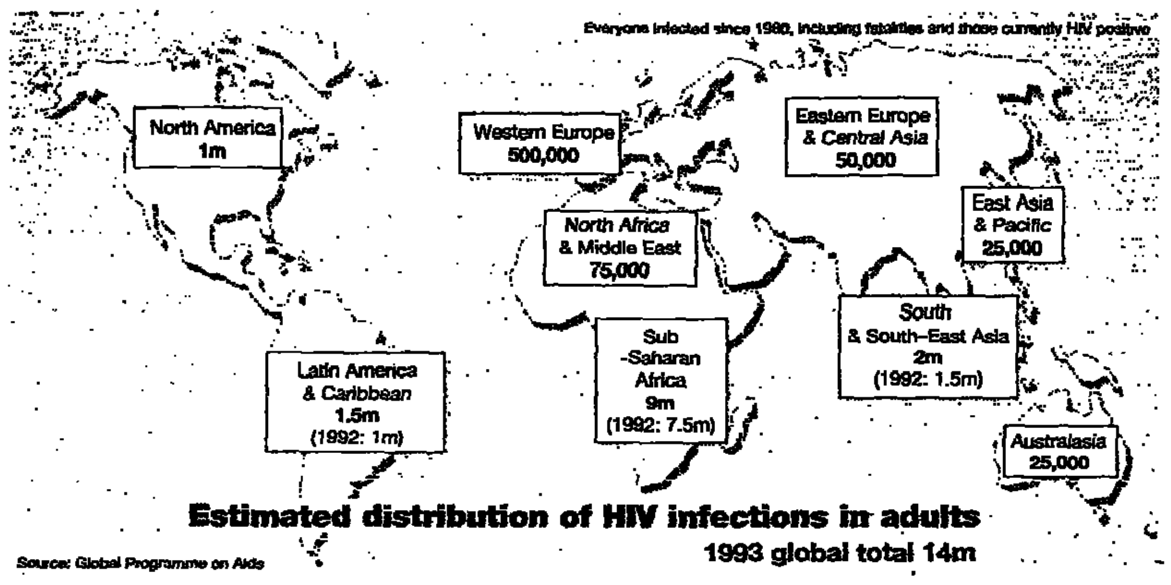
The year between the preliminary publication of the Concorde trial results and their final confirmation today has been a period of almost unrelieved gloom for the estimated 12m people worldwide who are infected with HIV, the virus that causes Aids.

AZT, the only established Aids drug, turns out to deliver no lasting clinical benefit to people who are HIV-positive but not yet showing symptoms of the disease. And worldwide expenditure of more than £1bn a year on Aids research has produced a plethora of potential drugs in early stages of development, but nothing likely to treat the infection effectively in the immediate future.

The official conclusion of the Franco-British Concorde study in today's Lancet is a cautious statement that "the results do not encourage the early use of AZT in symptom-free HIV-infected adults." That leaves doctors free to prescribe the drug if they want to.

But Prof Ian Weller of London's Middlesex Hospital, the study's principal UK investigator, said his advice would be not to take AZT until symptoms appear. Other clinical trials have shown that the drug does then delay progression of Aids.

"Our results show that any benefits of AZT are transient and they have disappeared completely after three years," said Prof Weller. "A policy of careful watching and waiting is just as good as writing that prescription.



Estimated distribution of HIV infections in adults
1993 global total 14m
Source: Global Programme on Aids

And it makes it easier for someone who's HIV-positive to live life to the full, without being turned into a 'patient' taking tablets and receiving frequent blood checks."

On the other hand, Dr Trevor Jones, research director of Wellcome, AZT's manufacturer, insisted that "the drug remains the best weapon we have to slow the progress of the disease. The question is where in the course of the disease you begin."

Wellcome said patients should discuss the benefits of early and late treatment with their doctors, "allowing the patient to make an informed choice." But Dr Jones believes early treatment is valuable because some benefit, even a transient one, is better than taking no action against the replicating virus.

Aids charities and patient groups yesterday accepted the Concorde conclusions. "For everyone living with HIV, these are very disappointing results," said Mr Nick Partridge, chief executive of the Terrence Higgins Trust. "While other clinical trials have shown some benefit from AZT for people diagnosed with Aids, this trial has failed to find any added advantage in the early, long term use of the drug by those who are HIV-positive but have no symptoms of Aids."

Yet, Mr Partridge said, many HIV-positive people would find it hard to resist medication until symptoms appeared. Those who preferred to fight the infection more aggressively should, instead of simply taking AZT, consider joining one of the many clinical trials of experimental treatments.

The largest trials now in progress are assessing the effects of combining anti-HIV drugs. Many researchers believe the best long-term prospect will be to prescribe a cocktail of two or more medicines; the ingredients may have a synergistic effect in combination, and it is harder for the virus to mutate to develop resistance to several drugs at the same time.

The international Delta trial, for example, has recruited 3,000 patients to test combinations of AZT with the two other drugs approved for HIV therapy: Roche's Hivid (DDC) and Bristol-Myers Squibb's Videx (DDI).

All three drugs are synthetic chemicals called nucleoside analogues which work by mimicking natural building blocks of genetic material. When HIV takes up a drug molecule, it stops replicating.

But the international pharmaceutical industry is also developing several quite different ways of fighting HIV, which may work better even than combinations of nucleoside analogues, with fewer toxic side-effects.

A comprehensive survey by the US Pharmaceutical Manufacturers Association listed a total of 103 Aids medicines in clinical trials at the end of 1993, 30 of which were aimed directly at HIV.

Innovative genetic approaches include "gene therapy" – putting antiviral genes into patients' blood cells – and drugs that inactivate HIV by switching off its genes. But such futuristic products are unlikely to be approved for general treatment for several years.

"One of the lessons of Concorde is that pinning too many hopes on drugs still in clinical trials increases the disappointment and disillusionment felt when trial results highlight the limitations of therapy," Mr Partridge said. "Above anything else, the Concorde trial has shown us how far away we still are from effective long-term treatments for Aids."

Wellcome pledge to pursue combination therapy

By Daniel Green

Seven years ago AZT was launched into a world alarmed at the prospect of an Aids plague. Sales forecasts not from Wellcome, which developed the drug ranged up to \$2.5bn a year. But in the first six months of Wellcome's current financial year, AZT brought in just £110m. In the world league table of best selling drugs, it is about 70th

The main cause of the drug's mediocre performance is that it is not prescribed to HIV-infected people who do not have Aids. Although figures are difficult to confirm, it is widely accepted that fewer than 10 per cent of HIV-infected people are suffering from the disease at any one time, though almost all will eventually contract it.

Patients without symptoms – "asymptomatics" - are regarded as a more lucrative market for the simple, if unpalatable, reason that they live longer. The Concorde study published today confirms that such patients have little if anything to gain from taking the drug and that therefore it will not be the "blockbuster" Wellcome must have once hoped.

Although the preliminary version of the trials, published a year ago, were attacked by Wellcome, the company took a more emollient line yesterday.

Mr Trevor Jones, Wellcome's director of research and development, argued that the final version of the report was essentially positive because it said there was some transient benefit for asymptomatics.

Mr John Robb, chairman and chief executive, insisted that the fortunes of AZT were vital for the company. "It is our second biggest selling product and is very important for the company," he said

He said the company's strategy would remain unchanged: to pursue combination therapy – the use of the drug in combination with others. The company has just signed a deal with Glaxo, the UK's biggest drugs company, that gives it the option to use an experimental drug called 3TC that seems to work well with AZT in laboratory tests.

HIV DRUGS CABINET

Drug	Company
Retrovir (AZT)	Wellcome
Hivid (DDC)	Roche
Videx (DDI)	Bristol-Myers Squibb
3TC	Wellcome/Biochem Pharm
Ro31-8959	Roche
Zerit (d4T)	Bristol-Myers Squibb
GS 393	Gilead
U-87201E	Upjohn
EF13	Scotia
DAB 389IL-2	Seragen
Vaccines	Various

First three drugs available, rest undergoing trials

The trials results nevertheless come at an awkward time for the company. Last month, Wellcome shares fell 8 per cent after it reported slower than expected first-half sales growth and revealed that it was dropping development of a new anti-herpes compound. The company also unveiled plans to cut UK staff with further cuts to come in the US.

City analysts remain unconvinced about the ultimate importance of the drug and its prospects. "Sales of this drug have stopped growing because of Concorde," says Mr Paul Krikler, analyst at securities house Goldman Sachs.

They say AZT is significant to Wellcome but argue that it is not central to the company's fortunes. Another drug, the herpes treatment Zovirax, has first half sales of sales of £418m, up from £369m a year earlier. Zovirax is in the world's top 20 drugs with sales of more than \$1bn a year.

AZT, on the other hand has gone into a decline, says Mr Stewart Adkins of Lehman Brothers. He forecasts current year sales of AZT to fall to £218m from last years figure of £248m. "Retrovir will become less important to Wellcome. The company will have to work hard with combination therapies to reverse the trend."

THE PROPERTY MARKET

Nimble-footed likely to remain a step ahead

Property shares have lost their lustre in a market beset by uncertainties, says **Vanessa Houlder**

Property shares have come back to earth with a bump. In the past two months, they have lost more than a sixth of their value, outstripping the 10 per cent fall in the stock market as a whole.

In 1993 the mood of optimism buoyed by hopes of a sustained recovery prompted property shares to trade at a premium to assets. But the premiums have proved short-lived. After starting the year on a premium to assets of more than 25 per cent, property shares are now trading at a discount to assets of about 3 per cent.

The turnround is not surprising: property shares have only traded at a premium to assets once before in the past 20 years, in the run-up to the 1987 stock market crash. Historically property shares have traded at a discount to assets in excess of 20 per cent.

The stock market is undoubtedly more discriminating in its appetite for property shares

This sharp re-rating of property shares marks a change of attitude towards the sector. A new mood of caution hangs over property shares and – to a much lesser extent – the property market itself.

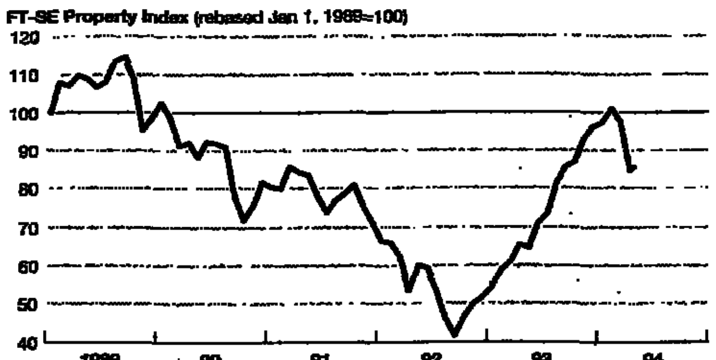
Three main factors lie behind this development: the fall in the bond market this year; the large number of new property issues and rights issues; and a rash of disappointing results from quoted property companies.

The most significant of these factors is the performance of the bond market; the fall in bond yields was the main factor driving last year's strong recovery in property values. With the fall in the bond market this year, the property market risks losing some of the momentum behind its recovery.

Views differ on the likely impact of the fall in bond values on property. BZW, the securities house, says the decline in the bond market is likely to result in a marked slowdown in the property investment market. It could even lead to falls in the value of properties with high incomes but poor prospect of rental growth; such properties are most sensitive to movements in bond yields. BZW has scaled back its forecast of property asset growth this year from 16 per cent to 10 per cent.

In contrast, some analysts believe that the impact of the bond market on property has been exaggerated. Other factors, they say, will sustain a property recovery. First, the volume of money which institutions, foreign investors and property companies are putting into the sector will sustain rising property values. Second, the promise of a resurgence in rental values will encourage the market. "We are getting close to rental growth for the first time in four years," said Mr Selwyn Jones of Crédit Lyonnais Laing, a broker.

Property shares: out of favour



Source: FT Graphite

Regardless of such market sentiments, there is little doubt that the stock market is now more discriminating in its appetite for property shares.

This loss of enthusiasm is largely attributable to the glut of shares being issued by property companies. About £780m of new property issues, rights issues and convertible bonds have been issued in the past two months.

With many more such issues in the pipeline, property companies will have to price their shares more competitively to ensure success. This necessity has been underlined by the failure of last month's public offer for Capital Shopping Centres, a new property company specialising in out-of-town shopping centres, which was only 14.4 per cent subscribed.

Yet another factor blunting the stock market's enthusiasm for property shares is the batch of disappointing results recently produced by quoted property companies. With the exception of Slough Estates, most of the results have been below expectations.

The shares of the biggest companies have suffered particularly hard in the market fall-out. The value of Land Securities, for instance, has fallen by a fifth this year. The only large property company whose shares continue to trade at a premium to assets is British Land, a reflection of the company's high borrowing to assets ratio and strong management record.

But the star share performers have been those of smaller companies. Topping the list is troubled Stanhope Properties, whose shares have risen by 39 per cent in value this year on the back of the acquisition of a 29.9 per cent stake in the company by British land.

Stanhope aside, there is a raft of second-tier companies that have either improved their market value or suffered marginal falls in value this year.

Helical Bar, Burford Holdings and Capital & Regional Properties, for example, have largely withstood the downturn because some investors believe they have scope to increase asset values through acquisitions, active management or developments.

The relatively strong performance recorded by some of these smaller property companies suggests that property companies' fortunes do not simply depend on the movements of the market as a whole. By operating in specific niches these more nimble companies should be able to outperform their larger, slower-footed rivals.

The paradox in Paris

The rescue package unveiled last month for Crédit Lyonnais, in which the bank transferred FFr40bn of non-performing property loans into a specially formed company, has highlighted a paradox in the French property market.

The tactics used by French banks to deal with their property problems have helped avoid a market collapse; but the same strategies have also been blamed for a severe stagnation in the property investment market. A paltry FFr5bn of investment deals were concluded in 1993.

The deep property recession which followed the heady 1980s left French banks with severe difficulties. By the end of last year lenders had already made provisions of about FFr70bn against their total exposure of some FFr450bn. But most analysts believe that larger provisions will be necessary to bring values down to more realistic levels.

Those institutions saddled with the property assets of defaulting clients have sought to protect their balance-sheets; they have done this by resisting the sale of property on the open market in a bid to crystallise their losses. Most deals have involved swaps with other institutions or the transfer of properties to specially created companies.

The Crédit Lyonnais deal is a prime example. The bank has transferred FFr40bn of non-performing property loans into a new state-controlled company, with the government guaranteeing FFr18.4bn of the losses on these loans for five years. Crédit Lyonnais said that the decision to hive-off the property assets was taken because it had found it impossible to estimate the level of provisioning they required.

This practice, which has eased the pressure on banks to sell the property of defaulting clients, is partly blamed for the stalemate in the investment market. One reason why investors have held back is the scarcity of good quality buildings at a realistic price.

"Such practices have perpetuated an artificial shortage of good investment product; however, it is only fair to say that they were also instrumental in the early stages of the downturn in preventing a market collapse," said Mr Robert Waterland of Jones Lang Wootton, property consultants.

For some dealers, the relief that France has avoided a property crash is tempered by impatience at the slow pace at which the investment market is emerging from recession.

Vanessa Houlder

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MANAGEMENT

Revolution in toyland

William Dawkins reports on a US discount retailer's success in Japan

US trade officials considering economic sanctions to blow open Japan's closed markets should reflect on the experience of Toys 'R' Us, the American discount toy retailer.

Over the past two years, Toys 'R' Us has taken an independently estimated 4 to 5 per cent of Japan's $6bn (£4.1bn) retail toy market, on which, to its managers' surprise, it is almost breaking even.

It has, with a mixture of managerial nerve and political help from the US government, destroyed a small but symbolic part of Japan's costly multi-layered distribution system and been a leader in the price discounting now sweeping across Japanese toy retailing.

Toys 'R' Us's experience has disproved the official US view that political pressure is the only way to make progress in the Japanese market – though it is useful – as well as challenged the belief of some European businesses that the best way in is to tip-toe across the threshold over many years.

The US group has swiped market share from the department stores and small corner shops that dominate retailing by offering up to 20 per cent discounts – admittedly helped by the dollar's fall against the yen – a wider product range and extras like parking, a luxury for most Japanese shoppers. Annual turnover per Toys 'R' Us store in Japan is $15m-$20m (£10m-£13.5m), roughly double the sales per store in the US and it expects its overall Japanese sales to double this year.

"We wanted to make a statement and capture the minds of consumers. We felt a modest entry would have been more hazardous to our health than a massive move," says Larry Bouts, president of the US company's international division. He says Japan's recession has nurtured a fashion for value for money.

Bouts' experiences have become a case study for other foreign retailers thinking of moving into Japan, like UK retailer Marks and Spencer, Eddie Bauer, a US retailer of outdoor lifestyle goods, and The Gap, a clothes store.

Unsurprisingly, the US toy group met fierce opposition from small shopkeepers when it was planning its arrival in the late 1980s, but their political influence has waned with that of their political patrons in the Liberal Democratic Party, thrown out of power last year for the first time since 1955.

The progress of deregulation over the past 10 years, while slow, meant Toys 'R' Us also had consent, if not support, from an unexpected quarter, the Tokyo government.

Toys 'R' Us knew it had to take a bigger financial risk in Japan than in other foreign markets. It committed $100m to Japan in lease payments, stock, working capital and training, even before it opened its first store in late 1991. "Several hundred million dollars" later, says Bouts, it has 16 stores stretching across regional Japan and plans to increase this to 24 this year, with an eventual goal of 100 stores.

Against all odds: Toys 'R' Us has won a significant slice of Japan's market

The decision to hit the market on such a big scale is in line with Toys 'R' Us's general approach. But Bouts felt it was especially right for Japan, a lesson of the "only modest success" achieved there by Pepsico Foods, his former company.

Very high turnover per store was needed to cover costs which are, generally, the highest Toys 'R' Us has encountered in any market. The only exception is debt, made cheap by Japan's low official interest rates. Bouts estimates that his Japanese prices are between 50-100 per cent higher than in the US. Even so, his Japanese profit margins are "much lower" than the average for Toys 'R' Us's stores worldwide.

But a high proportion of Toys 'R' Us's Japanese costs are fixed – rent, for example – so that further rises in sales should create sharp rises in profit. "We keep adding to fixed costs at a declining rate as we achieve economies of scale . . . I have some warm feelings about our cost structure," says Bouts.

The other advantage of size is negotiating power, an important ingredient in Toys 'R' Us's success in the US and Europe. Three quarters of its Japanese stock is imported from the US, which gave the group enough volume to justify setting up its own direct import company, to deliver straight from the docks to its warehouses, the first foreign retailer to do this in Japan.

Toys 'R' Us makes direct imports elsewhere in the world, but this was provocation to Japan's still powerful network of distributors. "People said we could not do it, but we insisted we needed control over our distribution," says Bouts.

In a second challenge to Japan's cosy distribution cartels, Toys 'R' Us insisted on buying some of its Japanese-made stock direct from the manufacturers. "At first, most Japanese manufacturers said they would not sell to us. But as the downturn started we became more in demand. They needed large orders," he explains.

Nintendo, the computer games maker, initially said it would only sell through wholesalers. The wholesaler pays 60 per cent of the suggested retail price and sells on to the next stage of the chain at 70 per cent, which then adds another margin before selling to the shop. Nintendo's eventual agreement, to sell to Toys 'R' Us at 70 per cent of the retail price, sent "shock waves" through the toy industry, says Dean Perry, retail analyst at Lehman Brothers in Tokyo.

Even Daiei, Japan's only national supermarket chain, has faced a struggle to achieve direct buying. Yet Bouts believes the shift in balance of power from manufacturer to retailer seen in the US and Europe is now taking place in Japan. Evidence for that is a decline over the past five years in the proportion of Japanese toyshops to stick to manufacturers' recommended retail prices, from 70 per cent to just under 30 per cent, according to a recent survey by the Fair Trade Commission. More than 80 per cent of the shops surveyed attributed this to the impact of Toys 'R' Us.

US political pressure was useful, in that it inspired a Japanese government decision to speed up approvals for the development of new shopping complexes.

This was a result of the Structural Impediments Initiative trade talks with the US, one of the several abortive attempts at bringing down the Japanese trade surplus. Toys 'R' Us was even singled out as a lesson in US-Japan trade relations by former US president George Bush, who opened its second Japanese store on his 1992 trade mission to Japan.

However, even after this liberalisation, Bouts says it still takes three times longer in Japan than in the US to get approval for a new store.

Toys 'R' Us was, however, pleasantly surprised at the understanding it received from the Japanese government on other matters.

It agreed, for example, to allow Toys 'R' Us to send toys to foreign laboratories to be tested for rigorous Japanese safety standards and to scrap a requirement that foreign toys had to be retested every six months.

It is difficult to tell whether Toys 'R' Us has been a catalyst in the changes in Japanese retailing or has simply cashed in on them. But its experience does show that one part of the Japanese market is opening for real. Other sectors might follow a similar pattern.

CHRISTOPHER LORENZ

The good and the bad of bigness

Bigness used to be considered a virtue in business. But it has had a decidely bad press of late. For more than a decade, pundit after pundit, from Tom Peters to Harvard economist Michael Jensen, has sounded the death knell for large companies.

The real world has appeared to bear them out: action by governments, shareholders and managements themselves has broken up all sorts of established dynasties, both sensible but unwieldy business monoliths such as AT&T, and illogical conglomerates such as ITT. Other big companies have reacted by stripping themselves "back to basics": concentrating on their core businesses, and divesting or "outsourcing" the remainder. A fashion has even developed for voluntary demerger.

In the marketplace, lumbering giants, from IBM, Sears Roebuck and General Motors to the American TV networks, have been overtaken by more sprightly upstarts – Microsoft, WalMart, Toyota, CNN – and been attacked by hordes of smaller innovators.

Small is now beautiful it seems – at least until, like Microsoft, you become big enough to join the ranks of the bad and ugly.

In his new book, *Global Paradox*, John Naisbitt, the futurologist who made his name with *Megatrends*, declares that "the bigger the world economy, the more powerful its smallest players". He claims that "we have moved . . . from bigger is better to bigger is inefficient, costly, wastefully bureaucratic, inflexible and, now, disastrous".

As the events of the past few weeks have shown, this blanket judgment is at best misleading and at worst dangerous. If big is bad, why is Lou Gerstner, the new chairman of IBM, reversing his predecessor's strategy of breaking up the company, and instead focusing on "leveraging our economies of scale across research, development, manufacturing, distribution and services," as he put it a fortnight ago?

If big is bad, why is Alex Trotman, Ford's new boss, accelerating the integration of the motor company's design, engineering and manufacturing operations across the globe? Why has BMW bought Rover? Why is Sir Colin Marshall of British Airways pressing its American affiliate, US Air, to clean up its act so that the two companies can move on to their next stage of integration?

The answer is not that any of these people is blind to the frequent virtues of smallness. It is that bigness is a much misunderstood and overabused concept. In the words of Dawn French, a sizeable and hugely popular British comedienne who has assumed the role of chief advocate for large ladies in Britain – much more happily than Roseanne Barr in the US – bigness brings "something extra, and it's not just flesh".

In the wrong form, bigness can mean a business is fat, lumbering and ineffective. But in the right form, it can mean it is vibrant, powerful and agile.

Small is beautiful, it seems, until you become big enough to join the ranks of the bad and ugly

One of the reasons why bigness has fallen into such disrepute is that its more technical definition – scale – has been confused by many people with scope and diversity. What was wrong with ITT and most other companies in the 1970s and 1980s was not that they were too large as such, but that their scope was too broad – they were too diverse to be managed effectively. In each of their various businesses, however, they were often too small. This was certainly true of ITT's telecommunications interests, which had inadequate scale to be competitive in the 1970s, and failed utterly to meet the changed circumstances of the 1980s. Hence their sale.

Equally, AT&T was too broadly spread within the US market – where it was both a manufacturer and a monopoly service operation – but too small from a global point of view. In the US it suffered from diseconomies of scope – and also of scale – but in global terms it was of sub-optimal size. So, today, is BA, and possibly still BMW.

In other words, big is both relative and – with all respect to French and Barr – not necessarily broad.

Nor is big necessarily fat. Anyone who still equates the two should look at Percy Barnevik's ABB, Lew Platt's Hewlett-Packard or Livio DeSimone's 3M. Each is big in its chosen markets but exceedingly lean in the way it is managed. The same applies to a growing number of large multinationals, especially in the US but also in Europe.

Stripped of their superfluous businesses and activities, they are managed increasingly like a collection of small businesses – but with the difference that they also exploit scale economies in selected parts of their "value chain".

For many, this means sharing various degrees of research, design, development and purchasing across their businesses, and also aspects of distribution and service. For others – rather fewer, since the critics are right that large factories can be a handicap – it means harnessing economies of scale in production. For almost all of them it means sharing managerial skills, in particular through the common development of people. In each case, bigness brings benefits.

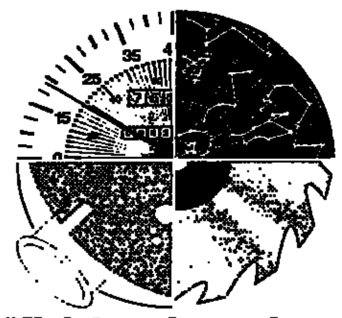
The trick in this process is two-fold. First, to recognise that the required level of bigness varies not only between industries, but also between the various businesses and value-adding activities within each industry.

The second, far harder, challenge is to achieve the requisite degree of co-ordination or integration without falling foul of what management professors call "the cost of complexity" – what economists prefer to term "unacceptably high transaction costs".

That trick is what Ford claims to be performing in its gradual process of global integration. It is what IBM must achieve if it is to justify Gerstner's retention of so many businesses. Only then will "Big Blue" cease to be seen as bad and ugly, and instead join the ranks of the lean and beautiful.

TECHNOLOGY

Worth Watching · Della Bradshaw



Miniature barcode takes your order

A company in Japan has shrunk the ubiquitous barcode to one tenth of its normal size. Because the micro barcodes can be squeezed into catalogues or directories instead of order numbers, the codes, along with their hand-held scanner, could be used for ordering from catalogues or stock lists, or even for phoning numbers directly from a phone book.

Developed by Neorex, of Nagoya, with its international development handled by Foxmark International, of Tokyo, the micro barcode scanner incorporates a specially developed lens which has to be placed in contact with the tiny barcode but can read it even if the lines are not entirely clear. It can also read the barcodes if they have been faxed.

The lens could be incorporated in a telephone handset for less than £30, enabling companies or consumers to read and then dial a number quickly or transfer order information down the phone line to a central database.

Foxmark: Japan, 3 3578 8400.

Chips feel cooler with Oasis

An inert fluid which is used as a dressing to treat burns is now being used in the electronics industry to prevent the latest processor chips from over-heating.

As consumers demand increasing power packed into smaller packages – from laptop PCs to cameras – many microprocessors have had difficulty working at their full capacity without overheating.

Oasis has been developed by Aavid, of Laconia, New Hampshire, to dissipate the heat. Oasis incorporates a fluid developed by 3M which boils at between 56°C and 58°C and is intended for use where there is a minimal amount of space above the microprocessor. As the liquid boils it vaporises and then is carried away to a condenser where it turns back into liquid.

Aavid: US, 603 528 3400.

Magnets caught in traffic jam

Magnets have come a long way from the school physics laboratory. Thorn Automation, of Rugeley, Staffordshire, has developed a portable traffic analyser which uses magnets to detect the type of vehicle travelling along the road.

The EdgeHog incorporates a magnet in a box secured to a post up to 1.5 metres from the road edge. As vehicles pass, the magnetic field they produce is measured by the EdgeHog, enabling it to determine the difference between cars, van and lorries – the main aim of many traffic censuses. By placing two EdgeHogs two metres apart the speed of the vehicles can also be measured.

Thorn Automation: UK, 0889 585151.

● Magnets are also coming to the aid of companies with drinks vending machines. The machines often get clogged up with deposits of scale, particularly in hard water areas.

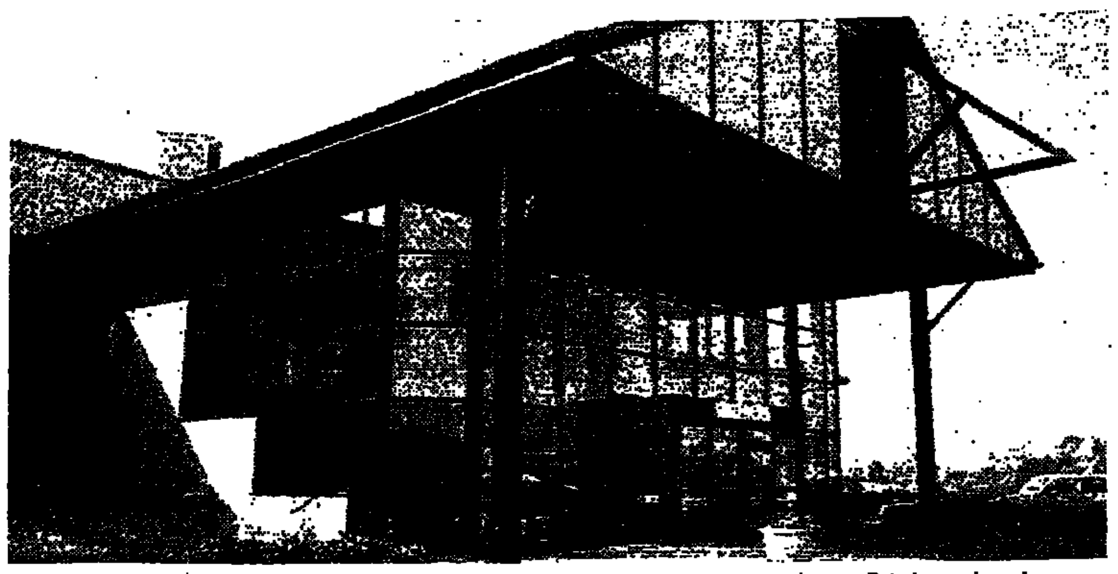
Water Technics, of Woking, Surrey, has adapted magnetic technology already used in the processing industry to help keep vending machines in operation. To prevent the scaling the water passes through the magnetic field created by strategically-placed magnets. The magnetic forces prevent the calcium and magnesium crystals sticking to each other and so being deposited.

Water Technics: UK, 0483 488963.

Background noise told to quiet down

Many employees of industrial companies, such as chemical plants or papermills, literally cannot hear themselves think. Now a US company has developed a communications system for hazardous and industrial areas where the handset eliminates 75 per cent of the background noise. Developed by GAI-Tronics, of Reading, Pennsylvania, the Europage combines an intercom and a public address system.

GAI-Tronics: US, 610 372 5151.



Streamlined: administration for investment management and taxation is now carried out at the new Peterborough centre

Back in business and up-to-date

Barclays Bank Trust has spent £32m to cut costs and improve customer services, reports Joia Shillingford

Three years ago, Barclays Bank Trust Company, a unit of Barclays Financial Services, was caught in a vicious spending circle. For every £100 of revenue, it was spending £90 on servicing its customers. Greater use of computers in the company would have cut costs, but such investment was not made because its earnings were thought to be too small.

But times have changed. This month, the company will start to reap the full benefits of a restructuring programme. Its procedures have been redesigned, its operations centralised and new systems introduced. Now, only £55 of every £100 goes on customer servicing. The total cost to the business of this process re-engineering project, codenamed Meridian, was £32m, of which £8m went on information technology.

Although its procedures were largely paper-based prior to the project, the company scored highly in customer satisfaction surveys. People liked the "quill pen" image. David Johnson, head of project management services at Barclays Financial Services, part of Barclays Bank, said: "It wasn't quite copperplate handwriting, but Dickens would have felt at home there."

However, with the market for trust services (investment management, taxation, executorship and trustee business) becoming more competitive, Barclays had to act to maintain its position. "Barclays was under pressure to improve efficiency or let building societies, accountants and solicitors cherry pick its most profitable customers," says Johnson.

"The only way we could continue to offer the same level of customer service at a competitive price was to use IT. So we started looking for opportunities," he says. The trust company, based in London, had eight branch offices and 22 regional offices, most located near Barclays Bank branches which referred business to them.

Barclays Bank Trust realised it could lower costs if it took back-office administration away from these offices and based it in two or three centres. This marked the beginning of Meridian which comprised: redesigning business processes; deciding which jobs would be needed after the reorganisation; automating the redesigned processes; and selecting new locations.

Planning took six months. One of the first tasks was to map the steps involved in Barclays Bank Trust's work processes and assess how they could be improved. A system from Digital Equipment called Stars was used to trace information flows. This depicted processes in different colours depending on whether they were paper-based or computerised. It showed the way the business was organised and identified bottlenecks. Based on the redesigned information flows and users' requirements, it was possible to define the number and type of jobs needed after relocation.

Barclays Bank Trust then chose suppliers for the IT equipment, which included an investment management system. The company initially ran into problems, however, after spending £500,000 for a system that it said did not function properly – it is now in litigation.

Barclays then chose a proven investment management package, Paladign, from DST/Clarke & Tilley of the US.

It has added other features in a bid to gain a competitive advantage. For example, staff can now perform "what if?" scenarios on customers' share portfolios, to find out the most efficient way of handling their affairs.

To the user, the extra features look as if they are part of Paladign because they are available through the same interface – Foss (front-end support system). There are two versions of Foss, one for investment management and one for executorship and trustee (with options for handling property, estate accounts, old master paintings and other types of business).

Johnson believes that the combination of choosing a tried-and-tested package and the add-on features has helped the company meet the project's deadline of end-March 1994.

"If we had missed the deadline, a lot of employees who were relocating would have had their lives messed up," he says.

Paladign runs on an IBM AS/400 system based in Poole, Dorset. This sends data to computers in the new back-office centres in Peterborough Business Park (for investment management and taxation) and Northwich near Manchester (for executorship and trustee work).

For Barclays Bank Trust clients, centralisation means that instead of calling a regional office they are assigned their own service representatives at the two new centres. If the contact is away, another administrator can call up the relevant details on a computer screen.

The main back-office systems are linked electronically to Barclays Stockbrokers (in Glasgow) and to its own London brokers, BZW. So orders to buy or sell shares can be turned round more quickly.

Automation has other benefits:

● Staff can find out the state of a customer's portfolio instantly and calculate capital gains liability quickly when an order to sell is received.

● Orders to sell shares can be carried out in three or four days instead of up to 14 or 15 and require one piece of paper rather than up to 19.

● Accuracy should increase because checks are built in to the software to ensure compliance with financial regulations.

● Sales and customer service in the regional offices could improve because although there are fewer staff (down from an average of 40 per office to an average of 10), they are freed from back-office processing.

● Administrators can handle 450 clients instead of 200.

But for Barclays Bank Trust, the biggest benefit is the sharp improvement in the cost/income ratio. Savings will be made from the closure of eight branch offices and cutting the payroll from 1,200 to 750. Total cost savings have been put at £12m a year, giving a payback period of around two-and-a-half years.

Public peep at politics

Most technological achievements take years – if not centuries – to become the subject of academic research. But a service to be launched to a wider audience next Monday has already become part of a course at the University of Central England in Birmingham.

Students studying the official and legal information course are looking at the workings of Polis, a parliamentary online information system which will be available internationally as Justis Parliament next week.

Justis Parliament, from Context, the information service company based in London, will enable businesses, government departments, lobbying groups, the media and academics to obtain information about what will happen in both Houses of Parliament – standing committees, tabled questions, early day motions and so on.

"Hansard is only a report of what has happened. Justis looks ahead," explains Michelle Green, marketing director of Context.

Whereas Polis is an online database service, available largely to members of parliament, Justis Parliament combines CD-Rom technology with an online service. This makes it considerably less expensive for the user.

A complete record of parliamentary events from 1979 to 1987 is stored on a single disc which costs £250; a second £250 disc buys records from 1987 to 1992. For the current parliamentary term from 1992, subscribers buy a combination of CD-Rom and online services. An annual subscription of £480 buys two discs plus the first 60 minutes of database search time.

Because the archival data is stored on CD-Rom, the time it takes to search the database is reduced, Green points out, resulting in lower costs.

The service is available over the public packet switched phone network and will be available on the Internet network later this year.

Della Bradshaw

PEOPLE

US/UK policy adviser joins BitC

Cay Stratton, one of the leading architects of radical change in the delivery of training in the UK, has joined Business in the Community.

BitC is undergoing a regular three-year review and a number of job titles, including Stratton's, are yet to be determined. It is likely, however, that Stratton will lead new initiatives by BitC to promote partnerships between the public and private sectors.

Stratton, who was policy adviser to three successive employment secretaries in the UK, returned to the US last year to become senior policy adviser to Douglas Ross, assistant secretary at the Department of Labor. She returned to the UK earlier this year.

In the late 1980s, Stratton was chief executive of the Boston Pic. Private Industry Councils are employer-led organisations which involve the private sector in education and training.

Norman Fowler, the then employment secretary, met her

on a visit to learn about Pics and US vocational training and in 1987 she accepted a one-year post as his special adviser. She stayed nearly six, also advising his successors, Michael Howard and Gillian Shephard.

Stratton was part of a small team which laid the foundations for the government's current policies on training. This included setting up Training and Enterprise Councils, which administer government-funded training and promote local economic development.

■ A chief executive who has demonstrated considerable flair in the running of his own Tec has been appointed as the first full-time director of policy and strategy for the 82 Tecs in England and Wales.

Chris Humphries, who has been chief executive of Hertfordshire Tec since 1991, is expected to take up the position in June. In effect he will be chief executive of the Tec secretariat which supports the work of the Tec National Council, a body which represents Tecs nationally, in particular in their relationship to the government.

Responsibility at a national level for policy and strategy has until now been handled in a part-time capacity by Richard Guy, the chief executive of South and East Cheshire Tec and Business Link.

Humphries, 44, is expected to play a key role in negotiations between Tecs and the government as well as interfacing between the several specialist committees that develop Tecs' policies. He will report to Mike Bett, the former deputy chairman of British Telecom, who has taken over as non-executive chairman of the Tec national council in succession to Edward Roberts.

After more than a year without a chief executive, Laurentian Financial Group, of which the main element is a life assurance company, has appointed Roland Ward (above) to the post.

In the months following the departure of Paul Seymour, Ward and three colleagues jointly ran the business, reporting record profits of £7.3m in 1993. The board then decided to choose the chief executive from among the four; remarkably, at present the other three have decided to stay with the group. "We have a very good relationship – it could have gone to any of the others," Ward says.

He sees a big task for Laurentian, and for the life industry in general, to win the trust and confidence of the public; earlier this year Laurentian Life was fined £70,000 by its regulators for serious rule breaches, including a failure to ensure sales agents gave best advice to investors.

For Laurentian in particular, Ward also believes it will be important to develop innovative products, in areas such as protection, since it cannot compete with leading companies in the sector in terms of size.

He comes from a banking background, having been with bank of America before becoming deputy chief executive of The Mortgage Corporation when it was set up in the late 1980s. While there, he was approached by Laurentian, which he joined in 1992 as group finance director. He is succeeded in that post by Michael Tallet-Williams, finance director of Laurentian Life.

■ In a move aimed at bolstering its foreign exchange activities, Natwest Markets has appointed Michael Cornford, 47, as head of global foreign exchange.

He will fill the gap left by the promotion of Stephan Harris to the position of group treasurer for the Natwest Bank group. Cornford leaves his position as managing director, foreign exchange, at Swiss Bank Corporation in London to take up his new post in May.

Cornford says his philosophy will be to "deliver high value products and services to a well focused client base"; clients require "one-stop shopping" delivered across time zones. But he adds that is "coming to a first class business where there is nothing broke that needs fixing".

■ **Michael Benson**, chief executive of the Invesco Pacific Region, has been appointed a director of INVESCO.

■ **Sally Collier** and **Christopher Vaughan** have been appointed to the board of SAMUEL MONTAGU, part of HSBC.

■ **Helen Walsh** has been appointed marketing director of NATWEST Ventures; she moves from the British Venture Capital Association.

■ **Nicola Brooksbank** and **Nicky Maxfield** have been appointed directors of PORTFOLIO FUND MANAGEMENT.

■ **Andrew Blair** has been appointed finance director of CAL Futures and CAL Investments.

■ **Philip Nash**, formerly joint md of Fidelity International's UK institutional investment business, has been appointed md of PAINEWEBBER International Asset Management.

■ **William Meadon, Charles Richardson and Campbell Watterson** have been promoted to the board of NEWTON INVESTMENT MANAGEMENT.

David Adams is to leave Henry Cooke Lumsden, the Manchester-based stockbroking and financial services group. A former chief executive, he says the parting is "amicable", but is precluded from saying more.

Most members of the northern network of professionals are interpreting this as the push after a rocky 1990s. First, Cooke's merchant banking arm – Edington – was shut down by the Bank of England; in the general crisis of confidence in small deposit-takers three years ago some local authorities withdrew deposits, which damaged liquidity.

A successful receivership has so far returned 85p in the pound to depositors, with at least another 5p due this year. This has helped save both Cooke's and Adams' reputations, but the core stockbroking business suffered badly from low trading volumes in the recession.

The market stirred just in time to avert serious redundancies, but a wounded Cooke then had merger discussions with the Birmingham-based Albert E. Sharp. These foundered, but Sharp now has a Manchester office, run by some former Cooke's people – a thorn in Cooke's side.

Field Walton, a former Cazenove stockbroker, became chairman late last year. Cooke has now been reorganised into divisions catering for private clients, institutions, corporate finance and management of unit trusts and Peps, each with its own chief. Adams was shunted sideways to become finance director.

His departure confirms people's suspicions this was not an entirely happy arrangement. "Once you have been the boss, it's difficult not to go on being the boss," Adams let slip to a friend.

He is 50 and on the look-out. Influential contacts include Joe Dwek, chairman of Bodycote and his brother-in-law. He is also one of the leading activists behind Manchester's emergence as a European regional financial centre.

ARTS

Theatre

Dishonor with an honorable lady

This week ex-Avenger Honor Blackman is entertaining her admirers at the Criterion with her one-woman show, *Dishonorable Ladies*. It is a disconcerting event. Ms Blackman in maturity is very much the Colonel's lady rather than Rosie O'Grady and the evening has the indelible air of a genteel soirée at a fashionable spa at which a distinguished actress has been lured out of retirement.

Ms Blackman's succession of "femme fatales through the ages" would not ruffle the wings of a butterfly. They come across as genteel ladies, better at talking about romance than getting involved in anything so sticky as sex. But Michael Crompton, who is directing, and John Watts, have served Ms Blackman faithfully with material and anyone who enjoys anthologies will feel comfortable here.

Some of the items are lost gems, like a sketch by the deeply unfashionable Herbert Farjeon, a monologue for a 1930s gold digger rehearsing the evening as she dresses to meet her date. Some are ill-conceived, like Ms Blackman attempting the vamps of the silent movies. Some are plain weird, like the excerpt from Elinor Glyn's novel Three Weeks, which must surely return to print.

William Blezard is at the piano. He is the most diplomatic of men, for in his day he accompanied both Dietrich and Grenfell. The evening brightens with the musical numbers, in particular an updated version of *Let's Do It*, with John Major and the Prince of Wales neatly caricatured, and Piaf's La Vie En Rose. All in all, an occasion for those who like their passion vacuum-packed.

Antony Thorncroft

At the Criterion until April 9.

Ballet/**Clement Crisp**

A Beauty to remember

To stage *Sleeping Beauty*, or not to stage it? Directors of ballet companies embarking upon this sublimest, supremest challenge should be on their knees with the words "Lord, we are not worthy" ever on their lips. But hubris and chutzpah being what they are – and endemic in the dance world – companies go ahead. They trim, alter and, damn them, re-interpret, and *Beauty* suffers. So, by a nice twist of fate, do their dancers, who founder in the choreography – Petipa is not to be mocked. So, alas, do audiences, who are given dross instead of gold.

Now Scottish Ballet enters the lists with a new *Beauty*. Stacked against the company are the facts that it does not have enough dancers to produce the work as it should be seen, and, frankly, it does not possess enough dancers with the schooling, the stylistic grace, to cope with Petipa. (I must observe that such demands are ill-met by any troupe in this country.) On the positive side, in this battle for classic order and dignity, is the fact that Galina Samsova – whom we have much admired in *Beauty* – directs Scottish Ballet, and is plainly not prepared to sacrifice the piece on the altar of gimcrack production and artistic expediency.

There results a staging far better than we might dare hope. The text is decent, given the concessions made to reduced numbers. Petipa's architecture, his finest choreographic ideas, are honoured. The dancers are learning from the demands made upon them, and Samsova has invited guest artists to bolster her ranks. The standards of the company's orchestra (53 musicians) and conductor, Alan Barker, are notably good: Tchaikovsky is safe. For her medium-size touring version, Samsova could not aspire to the decorative splendours properly needed so, in an intriguing compromise, she has commissioned sets from Patrick Kinmonth and costumes from Jasper Conran.

It is here that my worries are strongest. Kinmonth's permanent set is of grey walls that can move to become various locales, with a vivid red bed as a glaring accessory, and a series of receding portcullises as the magical forest. Clever, elegant, this scheme becomes claustrophobic, and the viewer's imagination is trapped. The idea is effective, but is, I suspect, for another, less airy ballet. Conran's costumes are subtle – colours unexpected, with fairies in sorbet-shades, courtiers in black and white, busily patterned – skilfully cut and often dazzlingly conceived. Period is well suggested, but these clothes do not always register strongly. The final effect, though, is stylish: neither design nor ballet has been compromised.

Faced with the perils of Petipa's dances, the Scottish artists do of their best: the troupe looks far more secure as an ensemble than when I reported last year on their *Anna Karenina*. There are optimistic moments, and variations when the school report reads "Must do better", but if *Beauty* is seen as a way of aspiring to classic decorum, then Scottish Ballet is on the right path, and this justifies the staging.

What totally justified Wednesday evening's performance (which I saw in Oxford's hideously uncomfortable Apollo Theatre) was the presence of Ludmila Semenyaka as a guest Aurora.

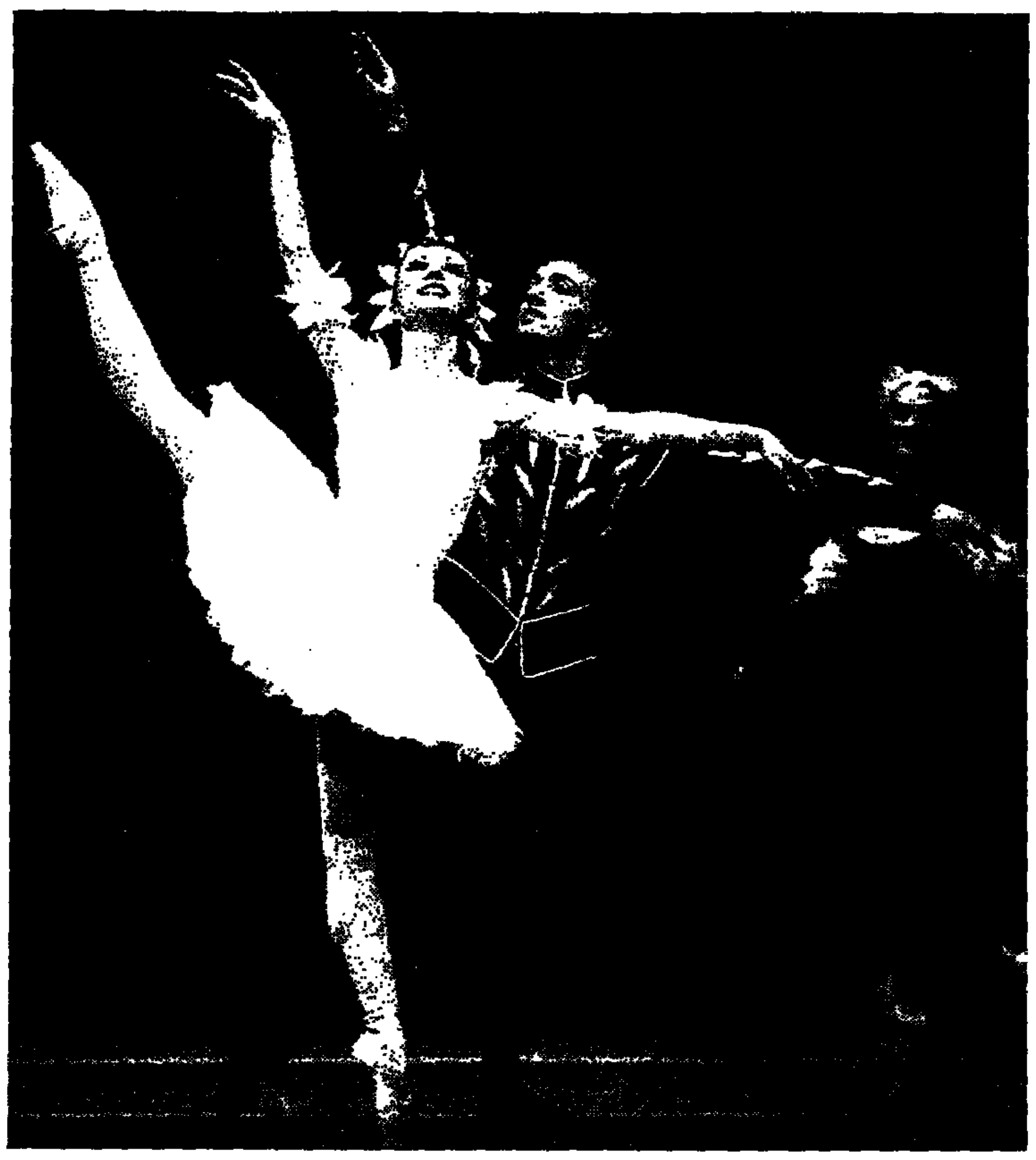
Semenyaka has been one of the glories of Bolshoi Ballet seasons throughout the world. In her performance as Aurora we see everything that the role demands: noblest Petersburg schooling; an ideal physique, and a style light, clear, harmonious; a grandeur that comes from the traditions of her education as a pupil of Petersburg's greatest *ballerine* – Semyonova and Ulanova; and that sense of classic form that is the mark of the rarest performers in the academic style.

Her Aurora is a portrait of youthful charm, drawn with a simplicity and a technical authority that only come when the role is fully understood. It is utterly engaging and, ultimately, utterly mysterious. We see how pure the dance is, with phrasing sprung from the score, with a dulcet mastery that makes triple pirouettes in the first act solo seem the most natural and happy expression of Aurora's delight. We sense, also, the long, long perspectives of Semenyaka's art, which go back by way of her teachers and coaches, and their teachers in turn, to Petipa's time, so that what she does is not only right but inevitable.

It is extraordinary classical dancing, and extraordinarily beautiful. And it was, on this occasion, sensitively judged for the confines of the stage and the means of the staging itself. Semenyaka's partner was Marcello Angelini, clean in style, well-mannered and attentive.

I must salute one other performance – that of Yurie Shinohara as Florine in the Bluebird duet. To what can often seem a test of archness as much of technical facility, Miss Shinohara brought wit, an enchanting freshness, and a sense of joy, that were irresistible. It was most memorable dancing.

Scottish Ballet is at the Apollo Theatre Oxford until April 9; then plays 'Sleeping Beauty' in Newcastle (April 12-16), Hull (April 19-23), Edinburgh (April 26-30), Inverness (May 4-7).



Bill Cooper

Winning the battle for classic order and dignity: Scottish Ballet's engaging 'Sleeping Beauty'

Theatre

RSC's Ghosts

Watching Jane Lapotaire these days is a very curious business. That we have few actresses with such intelligence, authority or accomplishment must be beyond question. Yet it has been years since I could believe in one of her stage characterisations. Right now, London has the chance to see her in the great role of Mrs Alving in Ibsen's *Ghosts*, with the RSC in the Pit. Watching and listening to her, you cannot help but find new insights into the role and into the whole fabric of this marvellous play; but you also see a portrayal so calculated in moment-by-moment delivery, so full of clever motifs, and so carefully arranged in its final expression of dismay, that it creaks.

This is too bad, not just because of the waste of Lapotaire's talent, but also because she dominates Katie Mitchell's staging of the play, excellent in so many other respects. This production – which I reviewed at its premiere at Stratford's The Other Place last May – now launches the RSC's new London season. It embodies many of the best virtues of the RSC, of Mitchell, and indeed of Lapotaire. For a close scrutiny of *Ghosts*, it is unlikely to be surpassed for years to come.

Mitchell fastidiously observes the detailed realism of Ibsen's play. The play is – among other things – about syphilis, and repression, and hypocrisy, and women's struggle for social freedom; but, in Mitchell's hands, those things are the more powerful because she never nudges them into undue significance, or allows any anachronistic touch to remind us how modern the play's implications are. Vicki Mortimer's designs are haunting, perfectly creating the spartan elegance of a Norwegian interior. And Tina MacHugh's lighting conveys both the darkness of this room, and the distant pallor of the daylight outside (though the final dawn is none too persuasive). Details of offstage sound, or the maid's duster, or Pastor Manders's hat, all contribute beautifully to the eloquent whole.

Simon Russell Beale is a strongly morose Oswald. If one does not quite believe that his last words would really be "the sun, the sun", then one certainly attends to his protest that sunshine and the joy of life have never been part of his life at home. John Carlyle's Pastor Manders is a superb performance, bringing a wealth of life to this stiff character. Alexandra Gilbraith and John Normington, however, have slightly coarsened their detailed interpretations of Regina and Engstrand. Should their self-servingness be quite so obvious?

The "ghosts" become more fascinating the closer you attend. Lapotaire hints in the first two acts that Oswald's father may not be the late Lieutenant Alving but the still present Pastor. In the last act, however, she seems simply to have given up this last vestige of her love for the Pastor.

In her most grand and repeated gesture, Lapotaire suggests that Mrs Alving keeps being felled by men. She stretches out one arm – palm downward, fingers parted like a claw – towards the memory of her husband, or the Pastor, or her son. Then she lets the arm fall, slowly, slowly. But the gesture sums up the failure of Lapotaire's performance. Trying to show Mrs Alving's spontaneous emotions (normally very contained in her body language), this gesture actually turns out to be the most unspontaneous thing Lapotaire does.

Alastair Macaulay

In RSC repertory at the Pit, Barbican.

Market forces put sponsor rivals on clearer footing

The difference in approach to arts funding by BT and Lloyds is fundamental, says **Antony Thorncroft**

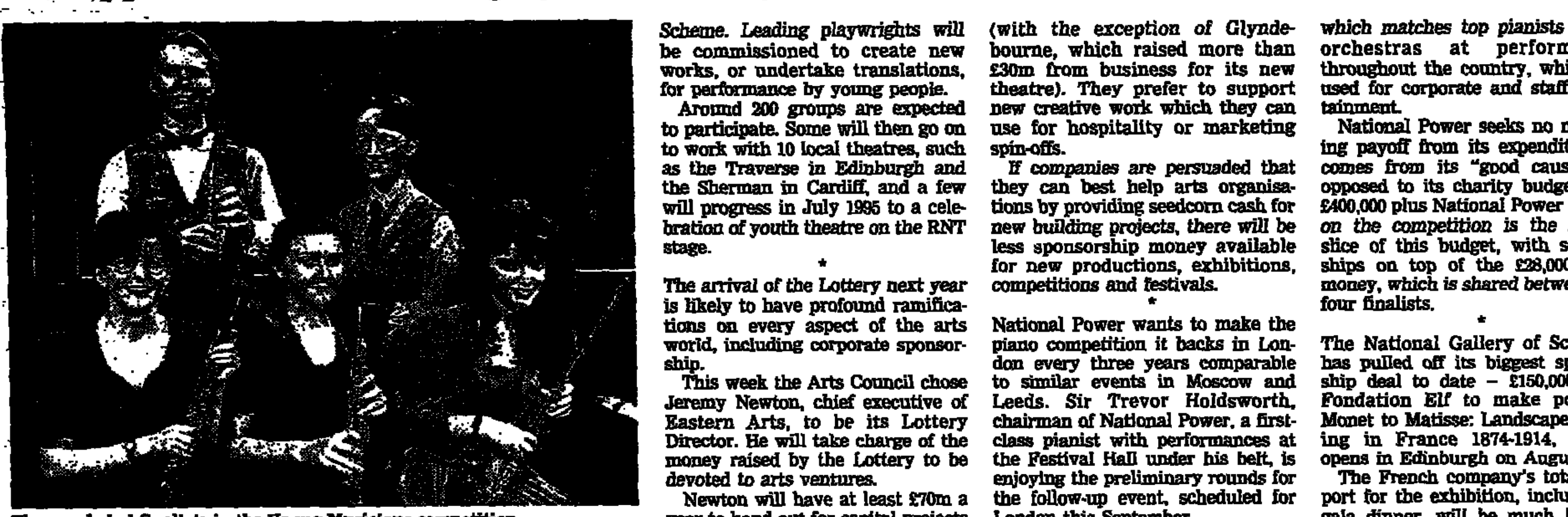
There is rivalry between BT and Lloyds Bank for the title of the UK's biggest sponsor of the arts. BT, despite freezing its budget for 1994-95 at £1.8m, wins so far.

The rivalry reflects a fundamental difference in approach to sponsorship. BT concentrates money on the classic arts and does not include its modest hospitality and marketing expenditure (probably about £200,000) in its figures. Nor does it advertise its sponsorships.

Lloyds, with two sponsorship initiatives each in fashion and film, plus the Young Musician of the Year competition which reaches its climax on BBC2 tomorrow, spends £2.4m, but this includes a substantial tranche of advertising expenditure. Around £1.5m goes to the arts.

Lloyds wants public recognition and goes for events with certain, or likely, television coverage. BT is more philanthropic, but market pressure is forcing it to promote awareness of its generosity.

Lloyds Bank, which has heavily promoted the Young Musicians this year, will this weekend run a campaign on Classic FM offering free CDs of the final to the first thousand of its customers who phone in with the name of the winner. This should boost viewing figures and reward the loyalty of customers.



The woodwind finalists in the Young Musicians competition

Lloyds will soon begin negotiations with the BBC to renew its contract for the biennial event, which remains the Corporation's biggest lapse into commercial sponsorship. Lloyds is inclined to sign up again, as long as the BBC decides not to increase substantially its fee of £500,000.

By an odd chance, the two largest sponsors have taken it in turn to back the Royal National Theatre's educational work. Lloyds supported it for five years with its Theatre Challenge, and now BT has put up £400,000 for the next two years with its BT National Connections Scheme. Leading playwrights will be commissioned to create new works, or undertake translations, for performance by young people.

Around 200 groups are expected to participate. Some will then go on to work with 10 local theatres, such as the Traverse in Edinburgh and the Sherman in Cardiff, and a few will progress in July 1995 to a celebration of youth theatre on the RNT stage.

*

The arrival of the Lottery next year is likely to have profound ramifications on every aspect of the arts world, including corporate sponsorship.

This week the Arts Council chose Jeremy Newton, chief executive of Eastern Arts, to be its Lottery Director. He will take charge of the money raised by the Lottery to be devoted to arts ventures.

Newton will have at least £70m a year to hand out for capital projects for new arts buildings and improvements to existing structures.

This will be challenge money: arts organisations will be expected to contribute some of the cash towards their planned developments. The obvious source for such additional funds will be corporate backers, who have been notoriously reluctant to back capital projects (with the exception of Glyndebourne, which raised more than £30m from business for its new theatre). They prefer to support new creative work which they can use for hospitality or marketing spin-offs.

If companies are persuaded that they can best help arts organisations by providing seedcorn cash for new building projects, there will be less sponsorship money available for new productions, exhibitions, competitions and festivals.

*

National Power wants to make the piano competition it backs in London every three years comparable to similar events in Moscow and Leeds. Sir Trevor Holdsworth, chairman of National Power, a first-class pianist with performances at the Festival Hall under his belt, is enjoying the preliminary rounds for the follow-up event, scheduled for London this September.

While it is facile to say that a company's sponsorship follows the inclination of the chairman, or his wife, it is often true. But Sir Trevor has a wonderful excuse: National Power backed the first World Piano Competition in 1991 before he had any links with the company.

Last year, National Power launched a World Piano Series, which matches top pianists to top orchestras at performances throughout the country, which are used for corporate and staff entertainment.

National Power seeks no marketing payoff from its expenditure: it comes from its "good causes" as opposed to its charity budget. The £400,000 plus National Power spends on the competition is the largest slice of this budget, with scholarships on top of the £28,000 prize money, which is shared between the four finalists.

*

The National Gallery of Scotland has pulled off its biggest sponsorship deal to date – £150,000 from Fondation Elf to make possible Monet to Matisse: Landscape painting in France 1874-1914, which opens in Edinburgh on August 11.

The French company's total support for the exhibition, including a gala dinner, will be much higher. The deal was signed just in time. Elf, the leading French oil company, is being privatised and seems certain to reduce its contribution to culture.

Another important show, from the NGS, The Romantic Spirit in German Art 1790-1990, at the Royal Scottish Academy and the Fruitmarket, is supported by Beck's.

INTERNATIONAL ARTS GUIDE

Munich Biennale

Six new operas will be presented at the 1994 Munich Biennale (April 29-May 22), the international festival for new music-theatre founded in 1988 by Hans Werner Henze. For Anglophone visitors, the main interest lies in the world premiere of Benedict Mason's Playing Away, a "football opera" with a libretto by Howard Brenton.

In his concert works, Mason (b1952) has already shown a quirky sense of humour that augurs well for his first venture into the opera house. Set during the European Cup final between an English and a German team, Playing Away parodies the British tabloid view of football and Germany. Even for those with no interest in football, the hints of Faustian bargains-with-the-devil will surely add to the fascination. Opera North's production, staged by David Pountney and conducted by Paul Daniel, will be shown at Munich's Deutsches Theater on May 19, 20 and 21, before transferring to Leeds.

Another new work at the Biennale is Freeze by Dutch composer Robert Zuidam (b1964), based on the tale of Patty Hearst, the American media-magnate's daughter who was kidnapped by terrorists. Italian composer Ada Gentile (b1947) brings a modern reconstruction of an Alcina opera written by early 17th century Florentine court singer Francesca Caccini (089-48098 614).

An operatic world premiere also opens this year's Schwetzingen Festival, based at the rococo court theatre near Mannheim (April 13-May 28). Sansibar, by Dresden composer Eckehard Mayer, is a co-production with the Bavarian State Opera in Munich, where it will be shown during the July opera festival. Schwetzingen will also stage L'Opera Seria, a three-act commedia per musica by 18th century Bohemian composer Florian Leopold Gassmann. Other highlights include recitals by Sviatoslav Richter and Barbara Bonney (06202-4933).

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dutch Figure Drawings 1700-1850. Ends May 1. Closed Mon

Van Gogh Museum Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose murals grace many public buildings in France. Ends May 29. Daily

BERLIN

Spandauer Zitadelle Dali as Sculptor and Illustrator: 38 sculptures from the years 1936-88 and 300 illustrations on themes from world literature. Ends May 25. Daily

BONN

Kunst- und Ausstellungshalle Bunuel, Eye of the Century: comprehensive retrospective of the Spanish film director (1900-83), showing the common ground between his films and Surrealist art. Ends April 24. Closed Mon

FRANKFURT

Schirn Kunsthalle Archaeological Treasures from Romania. Ends April 17. Daily

Städel Ernst Wilhelm Nay: 70 paintings from the early postwar years. Ends May 23. Closed Mon

Museum für moderne Kunst On Kawara (b1933): seven paintings and 82 drawings by the Japanese conceptual artist. Ends May 15. Closed Mon

GENEVA

Musée Rath Henri Michaux (1899-1984): more than 200 works by the French artist-poet. Ends May 22. Closed Mon

LAUSANNE

Fondation de l'Hermitage The New Wave: Japanese woodcuts 1868-1939. Ends May 1. Closed Mon

LONDON

Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends June 12. Daily (advance booking 071-396 4555)

Hayward Gallery Salvador Dali: The Early Years. Ends May 30. Daily (advance booking 071-928 8800)

Tate Gallery Picasso: 200 works focusing on the relationship between sculpture and painting. Ends May 8. Daily

Serpentine Gallery Markus Raetz: a selection of refreshingly undidactic paintings by the Swiss artist, highlighting the lightness and delicacy of his conceptual wit. Ends April 24. Daily

British Museum The Study of Italian Drawings: a tribute to the late Philip Pouncey. Ends April 24. Daily

National Portrait Gallery Holbein and the Court of Henry VIII. Ends April 17. Daily

Whitechapel Art Gallery Medardo Rosso (1858-1928): retrospective of the Italian Impressionist sculptor. Ends April 24. Closed Mon

MILAN

Fiera Milano The Sforza Castle's Hidden Collections: this exhibition, drawn from one of Italy's most complete collections of decorative arts, is one of many attractions at the 12th International Antiques Fair, which opens tomorrow and runs till April 17. Visitors to the fair will be able to participate in a series of afternoon discussions on various aspects of collecting presented by renowned Italian scholars. There will also be free guided tours of the fair by art historians (red line underground MM1 to Amendola Fiera Station. Further information: 02-7601 3255)

MUNICH

Kunsthalle der Hypo-Kulturstiftung Pierre Bonnard: 130 paintings and seven sculptures by the Nabis artist. Ends April 24. Daily

Lenbachhaus Between the Brücke and the Blaue Reiter: Expressionist paintings from the Ahler Collection. Ends May 23. Closed Mon

NEW YORK

Museum of Modern Art Frank Lloyd Wright: architectural fragments, full-scale constructions, scale models and 350 original drawings. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three Bauhaus artists. Ends May 17. Closed Wed

Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. 19th century paintings and drawings from Germany and Switzerland. Ends April 24. Closed Mon

Guggenheim Museum Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. The main museum is closed on Thurs, the SoHo site on Tues

PARIS

Grand Palais The Sun and the Northern Star: the fascination which Louis XIV (the Sun King) exercised in 18th century Europe is reflected in the collections of paintings, porcelain, furniture and massive silver pieces imported by Gustav III of Sweden from France in an attempt to emulate the splendour of Versailles. Ends June 13. Closed Tues

Hôtel de Ville Nicolas de Stael: 70 paintings and 40 drawings from private collections, whose smaller scale - compared with the large canvases in museums - reveals a gentler aspect of the painter driven to despair by his quest for perfection. Ends June 19. Closed Mon (Salle Saint-Jean, 3 rue de Lobau)

Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms, showing the diversified artistic expression of the inhabitants of central and southern Italy 3000-300 BC. Ends May 17. Closed Sun and Mon (34 quai de New York)

Louvre Egypt's Role in Western Art 1730-1930. Ends April 18. Closed Tues

Petit Palais Art of the Tainos Sculptors: 85 pre-Columbian masterworks in stone or wood. Ends May 29. Closed Mon

Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues

ROTTERDAM

Museum Boymans-van Beuningen Cornelis Cort: engravings by the 16th century Dutch printmaker, notable for their technical virtuosity and wealth of subject-matter. Ends May 1. Closed Mon

SAINT-ETIENNE

Musée d'art moderne Ben Nicholson: retrospective of the British abstract artist. Ends April 25. Daily

VENICE

Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: the show is built around the 31 15th and 16th century architectural scale-models still surviving. These served to give clients some idea of what they had commissioned and as a practical working guide for builders and craftsmen. Pride of place goes to Antonio de Sangallo the Younger's magnificent, newly-restored model of St Peter's Rome - a project much criticised by Michelangelo as straying too far from Bramante's plan and incorporating too many dark corners where undesirables could lurk. Ends Nov 6. Daily

VIENNA

Kunstforum From Chagall to Picasso, Masterworks from the Guggenheim Museum. Ends June 5. Daily

Jüdisches Museum Chagall's Russian Years: 50 oil paintings, watercolours and drawings from the period 1908-20. Ends June 12. Closed Sat

Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection. Ends June 19. Closed Mon

Albertina The Young Kokoschka: 200 watercolours and sketches from the years 1898-1917. Ends May 23. Daily

WASHINGTON

National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. Ruth Benedict Collection: 78 prints and drawings from the 16th to 20th centuries, including works by Rembrandt, Canaletto, Tiepolo, Daumier and Moore. Ends June 12. Ornament in European Graphic Art 1300-1800: more than 90 prints, drawings, illustrated books and decorative objects, including works by Watteau, Dürer and Piranesi. Ends Aug 21. Daily

ZURICH

Kunsthaus Richard Gerstl (1883-1908): 70 portraits and landscapes by the least known of the great Viennese Expressionists. Ends May 8. Friedrich Dürrenmatt: paintings and drawings by the Swiss author who died in 1990. Ends May 18. Closed Mon

The cost of flying without a harness

US airlines' experience of deregulation bodes ill for European carriers, argues **Richard Tomkins**

It seems heretical to ask the question at a time when the merits of market liberalisation have become so widely accepted. But if deregulation is such a great idea, why is the US airline industry in such a mess?

Barely a day passes in the US without news of continuing turmoil in the industry. This week alone has brought an announcement of another 1,000 job cuts at Continental Airlines as part of a cost-cutting drive, a decision from American Airlines to lay off a further 50 pilots as it continues to shrink its route network, and a reorganisation plan from America West Airlines aimed at bringing the troubled carrier out of bankruptcy.

Yesterday it emerged that Trans World Airlines, itself only just out of bankruptcy, had said in a filing to the Securities and Exchange Commission that it would have to consider selling all or part of the company if its financial results failed to achieve planned levels this year.

Some 15 years have passed since the US air travel market was deregulated: long enough, you might think, for it to have found some sort of equilibrium. Instead, the industry seems to exist in a state of perpetual crisis. In the last four years, its losses have exceeded all the profits made by US airlines since the invention of powered flight. Small wonder that European airlines are unenthusiastic about open skies.

When deregulation came to the US market in 1978, American carriers looked better prepared for it than their European counterparts do today. Admittedly, federal government control over domestic routes and fares had left them with limited experience of competition; but at least they were creatures of the private sector, and generally profitable too.

As expected, deregulation attracted dozens of entrepreneurs into the US airline industry – some starting new services where none had existed before, and others undercutting fares on existing routes. It also gave the big carriers the freedom to expand services and compete on price.

Over the next few years, lower fares and new services produced a big increase in passenger numbers, but the combined effects of fare cuts and excess capacity sent the industry into heavy losses. Bankruptcy not only took its toll of the new entrants, but started hitting established carriers such as Braniff International and Continental Airlines, too.

All this could have been predicted: deregulation is supposed to eliminate the weak. But the process did not stop there. In spite of a brief period of profitability during the economic boom of the late 1980s, the airline failures went on. By 1992, bankruptcy had claimed 117 carriers including some of the best-known in the industry,

Deregulation was supposed to get rid of the weak. But the process did not stop there

such as Eastern Airlines, Trans World Airlines and Pan American World Airways.

Today, the US airline industry looks in as bad a state as ever. The competition is crippling, with big carriers besieged by small, low-cost operators attacking the most profitable markets. The industry as whole lost about $1.2bn last year. This year, thanks to robust growth in the US economy, low fuel prices and drastic cost-cutting by the big carriers, it may show a small profit: but few can foresee a day when the industry will deliver an acceptable return on its assets.

At least two special factors suggest that the US experience might not necessarily be replicated in Europe. One is that overcapacity in the US has been exacerbated by chapter 11 of the US bankruptcy code, which has enabled carriers such as TWA and Continental to bounce back when they would otherwise have failed.

Another is that the financial weakness of the industry is in some measure due to a flurry of highly leveraged buy-outs in the 1980s which left some of the largest carriers heavily burdened with debt.

However, two other factors that have emerged from US experience could apply to a deregulated air travel market anywhere.

First, the airline industry is notoriously cyclical, and each general economic downturn results in a surplus of unwanted aircraft and personnel. This presents entrepreneurs with an opportunity to snap up cheap aircraft and employees and undercut existing carriers with low fares: so when things are bad, they get worse.

Second, the airline industry – like one or two other sectors such as newspapers and hotels – seems to be imbued with a perceived glamour that causes otherwise sensible people to enter it and remain in it, regardless of the potential for making money.

Of course, by the only criterion that really matters – customer satisfaction – airline deregulation in the US has been a staggering success. Passenger numbers have risen by more than 70 per cent since 1978.

Why? Full fares are a third lower in real terms, and more than 90 per cent of tickets are sold at discounts averaging two-thirds off the full price. People have 37 per cent more flights to choose from: smaller cities in particular have far more flights to far more places than ever before. The fight for customers has brought innovations such as frequent-flyer programmes and ultra-cheap, no-frills flights. The safety record is first class.

Deregulation should do for Europeans what it has already done for Americans. That is why it is such a great idea. But the US experience leaves little room for doubt about what it will do to Europe's airline industry. In short, it looks like being a bloodbath.

It was not unexpected, but the announcement that Tower colliery in Mid Glamorgan will close next week, bringing to an end generations of deep-mining in south Wales, sent reverberations through the surrounding valleys.

The impact was twofold. There was the symbolism of the closure – south Wales once had a quarter of a million men working in the coal mines – and the defeat of a determined campaign by the local community to save what it regarded as a viable pit. Second, there was the loss of another 200 jobs in an area where nearly one in four of the male workforce is unemployed. There are 30 people unemployed for every vacancy at the local job centres in the Aberdare travel-to-work area, which includes Tower.

By highlighting the valleys' seemingly intractable economic problems, the closure of Tower raises the question of whether the government's interventionist programme for regenerating the valleys has failed. The initiative was started by the Welsh Office in 1988 to alleviate the painful structural changes caused by the rundown of the old coal and steel industries. Under its umbrella, more than £770m of public funding has been injected into the valleys, where 700,000 people live.

The programme, launched by Lord Walker, then Welsh secretary and now chairman of English Partnerships, the regeneration agency for England, is currently in a second five-year phase. This was unveiled last autumn by Mr John Redwood, Welsh secretary, as a plan called "building on success".

But the "success" he confidently claimed for the programme was cast into doubt last November in a statistical report published by the government. It found 73 plants had opened in the valleys since 1988, but 138 had closed. Despite the opening of plants by overseas companies such as Hitachi of Japan, the manufacturing workforce had declined at a faster rate than in Wales as a whole.

Lord Walker's original claims for what he described as "the most comprehensive programme for economic growth the valleys have known" have proved too optimistic. He spoke of "pump priming" by the government which would lead to private-sector investment of more than £1bn, and of reducing long-term unemployment by two-thirds. In fact, the

Roland Adburgham on the limited impact of government aid in depressed Welsh communities

Greener valleys singing the blues

Ashley Ashwood

A miner at Tower colliery, which closes next week bringing to an end deep-mining in south Wales

Welsh Office now estimates that, in the first five years, private investment totalled less than £700m. Unemployment remains high: the rate in Mid Glamorgan, which covers much of the valleys region, stands at 12.5 per cent, compared with an average for Wales of 10.4 per cent. The most obvious improvement is in the greening of the grime: the appearance of the valleys has been transformed by the reclamation of slag-heaps.

Mr Redwood's view is that the initiative's impact has been overshadowed by the recession and, without it, the valleys would have been much worse off. He supports continued intervention on the grounds that it was state-owned industries that caused the damage.

Yesterday he announced grants totalling £2.5m for projects in five communities. In all, his five-year programme promises a total of more than £1bn of funding. This time, no target has been set for private investment, although Mr Redwood agrees more needs to be attracted.

One entrepreneur who supports the initiative is Mr Alf Gooding, who was born in the valleys. Gooding Sanken, the company he set up with Sanken Electric of Japan to make power supply units, moved last year into a plant in Cynon Valley, in the heart of the region. The factory was built by the Welsh Development Agency – under the valleys initiative, the agency plays the lead role in encouraging inward investment and land reclamation.

The factory employs 250 people and, if the workforce reaches the projected 400, Gooding Sanken can recoup 40 per cent of its £10m investment. Without the aid, Mr Gooding says, the factory would not be there. "How can anyone say anything other than that the initiative is doing one hell of a good job?" he asks.

Mr Tony Roberts, chief executive of Cynon Valley council, which has Tower in its district, agrees the initiative has encouraged public and private sector partnerships and helped to put a spotlight on the valleys. But he is flummoxed by what he sees as the illogicality of a national energy policy which results in the closure of Tower colliery. "On the one hand we are being encouraged to play our part in regeneration, but then we have to sacrifice Tower on the altar of market forces. It does not seem sensible."

Sceptics have long argued the initiative is primarily a public relations exercise, a packaging of schemes with little "new" money over and above what would be available elsewhere in Wales. Dr Victoria Winckler, head of policy research at Mid Glamorgan county council, recognises there have been improvements in roads and housing, for example, but argues these might have happened in any case. "As far as we're concerned as a local authority, the initiative has had no identifiable effect." There are still high levels of deprivation and low levels of economic activity, she says. "A lot of people have just moved out of the workforce altogether."

In a recent report, Poverty and Prosperity in Wales, Professor Barry Wilkinson and Mr Jonathan Morris of Cardiff Business School found the poorest parts of Wales were still in the valleys and the disparities worsening.

Professor Wilkinson says migration out of the valleys is continuing. "I think the Welsh Office should be upfront about it. They should acknowledge these areas are not getting any better. I think the government should either pump in real money to preserve the communities, or stop paying lip service to the problem and say that, when Norman Tebbit [former employment secretary] said 'get on your bike', he meant it."

Mr Roberts, of Cynon Valley council, emphasises the need to support existing businesses, but recognises that commuting down the valleys to Cardiff and the M4 motorway corridor – which has been more successful in winning inward investment – is part of the answer. He argues the initiative should improve the road and rail links to help that trend.

This implies accepting that the concept of the old communities, whose raison d'être was the pit at the end of the street, must be consigned to the past. No large plants will provide a substitute: other UK regions can offer similar grants to inward investors. Any incoming industry is likely to be small-scale: the most recent is the Japanese company, TAP Manufacturing, which is building a car parts plant in Rhymney Valley. It will employ only 60 people.

Demand will continue to diminish for the high-wage, skilled male worker. Those jobs which are created are likely to employ more women than men. At Gooding Sanken, 70 per cent of the workforce is female. If part-timers are included, more women are now in work in Mid Glamorgan than men. Outside manufacturing, local jobs are likely to be found in service industries, particularly tourism, which require very different skills to manufacturing. One example is the Rhondda Heritage Park, a museum commemorating what was once the powerhouse of the industrial revolution.

It is a cultural change in which government money is only part of the answer, as the relative failure of the valleys initiative has shown. Two years ago, in a report "Resurrecting the valleys – can existing policies do the job?", Mr Kevin Morgan of the University of Wales wrote: "A new recipe for social and economic regeneration involves far more than additional resources. While finance may indeed be the key ingredient, it is not of itself sufficient. In other words, the future shape of the valleys ... is partly in our own hands." Today, that has been brought home only too clearly to the Tower miners.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Channel 5 must bow to technology

From Mr Richard E Norman.

Sir, As the association of UK consumer electronic manufacturers, we would normally support additional programme services. However, we are against the proposal to go ahead with a Channel 5 licence using existing technology.

First, the frequencies proposed for Channel 5 have been used for 15 years for interconnecting signals from domestic video recorders to television receivers. Interference problems if a Channel 5 service commences will be enormous, involving the retuning of video recorders and TV equipment in 3m to 5m homes; moreover, there will be a huge problem of cost (perhaps £50 per household), and problems of access to domestic installations.

Second, the development of digital TV broadcasting technology is moving very fast, and offers the prospect within three to five years of providing six to eight TV channels of normal definition in the frequency spectrum used by a single conventional Channel 5.

Such digital services would cause much less of an interference problem with conventional domestic installations. Also, with the passage of time, such problems would be lessened by the increasing number of domestic installations employing interconnection of domestic video recorders and TV, using the eurosockets now fitted to virtually all video recorders and table model colour television receivers.

In BREMA's view, the case for Channel 5 has now been overtaken by technology.

Richard E Norman,
chairman, British Radio & Electronic Equipment Manufacturers' Association,
Landseer House,
19 Charing Cross Road,
London WC2H 0ES

Price to pay for manipulation

From Mr David Porter.

Sir, ICI's comments about prices in the Electricity Pool ("Power costs anger large users", April 6) deserve little sympathy.

We have what it calls "manipulated prices" because the largest users of electricity, presumably including ICI, somehow convinced the regulator that they pay too much for their power. His response was to persuade the two biggest generating companies to use their market position in a way which would achieve an average annual price of 3.4 pence per unit.

ICI will have to accept that even regulated prices will rise and fall before such an average is achieved.

There is also an unfortunate side effect to the decision. The manipulated price has been fixed at a level below that needed to secure the development of new power stations. This is hardly the way to hasten the arrival of the regulator's "fully competitive market".

David Porter,
chief executive,
Association of Independent Electricity Producers,
1st Floor, 41 Whitehall,
London SW1A 2BX

Predictable reaction

From Mr Adrian A Walton.

Sir, Your publication of the letter (March 30) by Jersey politicians criticising your survey on the island (March 22) has aroused a predictable furore, with accusations of disloyalty and, in the case of the local press, the "sin" of running Jersey down in front of outsiders. Such a response smacks more of a totalitarian than a democratic state. It would be unthinkable for an American to be treated this way for being critical to a foreign newspaper of political life in the US.

Employed people are particularly vulnerable here. The close circle of local and imported managers and businessmen can make it difficult for those who do not "toe the line". They may be denied promotion or even lose their jobs. Any relief in unemployment is at the discretion of local connétables (mayors) or their committees, who can insist on households getting loans on their houses or moving to premises with lower rents. For employers there are plenty of replacements "off the boat" for what is frequently low-paid work in an increasingly expensive place to live.

Adrian A Walton,
"Le Pré",
St Martin,
Jersey, Channel Islands

Entrenched in the past?

From Mr Harold Quitman.

Sir, Any long-term holders of shares in one of the five major UK composites are entitled to feel aggrieved at the present low ebb of their investment, with quoted prices little more than they were 10 years ago in some cases. And they have also suffered reduced dividends through massive losses. Although these have been reversed, we are now told that current improved insurance rates may not hold. This bodes ill for the future.

According to prices in the FT's London Share Service of April 2, the five UK composites are worth in total some £12bn. Even if you include the two major UK life companies, Legal & General and Prudential, the total reaches some £20bn. This is only the same figure as that of Allianz alone, and not far in excess of the other London quoted overseas group, American General.

Surely economy of size must indicate that mergers should have taken place long ago. And is it possible that individual groups have desisted from this course of action in order to postpone the inevitable disclosure of trading problems? This might perhaps include large book losses arising from excessive purchases of property at the height of the recent boom, and the antics of high pressure salesmen employed to sell their products on a commission-only basis.

Or is it simply to preserve the identity of the once glorious empires of times gone by – times that are unlikely ever to return?

I suspect there will shortly be some lively annual meetings called.

Harold Quitman,
Rookley Farmhouse,
Upper Somborne,
Nr Stockbridge,
Hampshire SO20 6QZ

British Rail costly by contrast

From Mr Robert Blood.

Sir *Plus ça change.* British Rail wants to make us pay 44p a minute for finding out when its trains run ("Inquiries about trains may move to premium phone rate", April 5). Amtrak, its US equivalent, offers customers a toll-free 1-800 number, which not only provides timetable information but also allows you to book tickets and reserve seats.

Robert Blood,
Robert Blood Associates,
The Hat Factory,
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London W1V 3AD

A card likely to be played

From Mr Ben Temkin.

Sir, I refer to your excellent appraisal of Chief Buthelezi's current position ("The Zulu factor", March 30) and Mr Chris Jones's letter (April 4).

The "ethnic card" is not a new one. Any reference to proceedings in the KwaZulu legislative assembly shows, for example, that the role of the Zulu monarchy was consistently taken into account whenever there were discussions relating to the "homeland's" status in South Africa, in particular, whether or not "independence" should be accepted. Inkatha, later the Inkatha Freedom party, is a political party which, though supporting the monarchy, is quite separate from it. Thus the request that the king and his advisers should participate in the constitutional talks should have been seen as key to deciding the future status of the monarchy and the limits of Zulu autonomy. The denial of his request means that the major political party of the Zulu, the IFP, (with reluctance) was represented at the talks, but the historical claims of the Zulu were left unvoiced.

It is hardly surprising that the African National Congress, with some hindsight, should have recognised the problem and have played the ethnic card itself.

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Friday April 8 1994

Europe and the Maghreb

Europe's leaders need urgently to cast their eyes southward. The virtual civil war in Algeria and the threat that similar struggles could take place in neighbouring north African countries are matters of concern not just for Europe's Mediterranean states, but for the whole continent.

The European Union has a strong interest in ensuring that the Maghreb region retains a pro-western orientation, reinforced by commitment to democracy and open economies. All three principles are put at risk by the increasingly brutal confrontation between Islamic extremists and secular forces in Algeria. Close to 4,000 lives have been lost in the past two years. France recently advised its remaining 2,000 citizens in Algeria to leave.

In January 1992, the Algerian army denied power to the Islamic Salvation Front (FIS) by suspending elections it was expected to win. There is a pressing requirement for a solution under which the FIS is allowed to participate in the democratic process in exchange for a renunciation of terrorism. Otherwise, the danger will grow of instability spilling over into Morocco and Tunisia – and possibly beyond.

The disorder in Algeria, a particular anxiety for France, the former colonial power, could have repercussions on Italy, Spain and Portugal, which rely on Algeria for natural gas. On a wider scale, the twin dangers of large-scale emigration from north Africa and the spread of regional disturbances to immigrant communities abroad have worrying implications throughout the Union.

This turbulence brings another trial for the EU's nascent common foreign and security policy, already found wanting in the fires of the former Yugoslavia. The EU can do little about the root causes of Islamic fundamentalism. But it can turn some of its attention away from eastern Europe and seek some coherence among the fragmented initiatives of its member states.

The EU's main message should be the urgency of linking economic and political reforms. The EU says it wants elections in Algeria within two years, but the possibility cannot be ignored that the FIS may take power sooner. This strengthens the case for speedy steps to restructure the economy, which the army-backed regime has put in abeyance.

An accord between Algeria and the International Monetary Fund is now in prospect which should pave the way for rescheduling the country's $26bn foreign debt and for a balance of payments loan from the EU to offset this year's shortfall in Algeria's oil revenues. The EU should make sure that this IMF process is not delayed or undermined.

In parallel, the Union must give fresh impetus to attempts started five years ago to open up trade with north Africa. This drive has lost momentum as a result of the European recession, Spanish anxiety about competition for its fishermen and farmers, and the emphasis on trying to liberalise trade with eastern Europe. Ultimately, the Union's efforts to ensure a stable, peaceful and prosperous Maghreb will succeed only if the people there see direct rewards from closer ties with Europe. If the EU fails to number north Africa among its most pressing priorities, it will lose its chance – perhaps for a very long time – of influencing events in a region whose destiny will remain closely linked to its own.

Chinese order

President Clinton must view recent events in China with apprehension. They could place him in an appalling dilemma – partly of his own making – when he comes, in early June, around the fifth anniversary of the Tiananmen Square massacre, to decide whether to renew China's most-favoured nation trading status.

He said last year that he would do so only if there were a significant improvement in human rights in China. The latest detentions of dissidents make it no easier for him to assert to the US Congress that there has been such an improvement. He could find himself obliged – by the timetable and conditions which he himself set – to revoke MFN, a step which would have serious consequences for American business, for the Chinese economy and its reform programme, for world trade, and for multilateral co-operation on issues such as nuclear arms.

A great deal can happen in two months, so it is as well to tread cautiously. China may take steps which would make MFN renewal more palatable to the US human rights lobby. Efforts to interpret the latest investigations of Mr Wei Jingsheng, China's most prominent dissident, are made without knowledge of their motivation. But those behind the detentions of Mr Wei and others are clearly unconcerned about reprisals. They may have been persuaded by US businessmen that Mr Clinton would not revoke MFN. Or they may feel that Beijing must not, whatever the consequences, be seen to accede to foreign meddling in its affairs.

Internal stability is of over-riding importance to China's Communist leaders, as the events of 1989 showed. To them, continued dominance depends on preventing the ignition of any movement which pulls together various strands of disaffection, much of it stirred by the effects of economic reform. While most in the west would not condone Beijing's authoritarian methods of maintaining domestic order, they would also agree that economic reform offers the best chance of leading China to a more prosperous and fairer society.

There are divisions within the Clinton administration about the wisdom of a policy which places annual MFN renewal at the centre of Sino-American relations. The commerce department has made no bones of its belief that US business stands to be seriously damaged by invocation of an arbitrary deadline set in Washington.

To be fair, the administration has moved to broaden the relationship, attempting to make human rights only one among the subjects to be discussed in more frequent two-way visits by officials. It should continue to do so. While making clear its distaste for Chinese methods, the west has an over-riding interest in seeking Chinese participation in trade accords, prevention of nuclear proliferation, and co-operation on specific issues such as North Korea.

Ways of escaping Mr Clinton's MFN dilemma, short of a politically damaging retreat, are not apparent – for example, removal of MFN only from goods produced by the public sector would be difficult to enforce. If he does not succeed, his much-vaunted aim of greater Asia-Pacific co-operation will be as nought. The sympathies of most Asian countries, which accord less priority to human rights than does the US, will lie with China.

The last board

Abolishing Britain's Agricultural Wages Board is, on the face of it, hard to justify on either political or economic grounds. A government which has committed itself to an open-minded consultative process will now find it hard to argue that 10 supporters of abolition out of 4,000 responses represents a groundswell of hostility.

Opponents of abolition – which include both sides of the agriculture industry – say that farming is different. They argue that introducing annual pay negotiations into farms where employer and a few employees live and work side by side would mean an increase in avoidable friction. And given the trend towards an ever shrinking number of higher-paid, multi-skilled workers, abolition will not create many new jobs in the country even if it does make those farm workers with little clout marginally cheaper.

But, as with many such united fronts, outsiders have grounds for suspicion. Agriculture remains rigid with subsidies and cartels. Handing the authority over wage rises to a statutory body is part of a broader pattern which pattern is at last being challenged in everything from the abolition of the Milk Marketing Board to pressure from the Gatt to align agricultural support prices more closely with market prices. Holding on to the wages board could send a signal of tolerance towards a culture which the urban taxpayer has supported for too long.

There may, indeed, be a case for keeping pay negotiations outside the farm, but employers and employees can establish a substitute mechanism for wage setting if the existing system is abolished. It is true that removing the statutory basis would make it possible for opportunists to undercut whatever was agreed voluntarily, but the threat of ejection from the the NFU would be one disciplinary lever. A more telling argument against abolition is that it is unfair that farm workers should bear whatever pain may be associated with deregulation before the farmers have to take the medicine. The government might acknowledge that point of equity, and finesse political difficulties, by promising that the wages board will be abolished in 1997.

Mood swings and trade winds

Serious tensions in world trade threaten progress achieved in the Uruguay Round agreement, says Guy de Jonquières

When ministers from more than 120 countries gather in Marrakesh, Morocco, next week for a four-day conference of the General Agreement on Tariffs and Trade, they will be striving for a show of harmony. But behind the scenes, many delegations seem more likely to be scowling at each other.

The uncertain mood reflects deep strains in a world trade system torn between conflicting impulses. One set is propelling economies towards steadily greater interdependence; but another threatens to drive them further apart.

The cause of closer integration has been powerfully advanced by last December's Uruguay Round agreement, which ministers will sign next Friday. The most ambitious trade liberalisation deal in history, it is expected by some forecasters to enrich the world by about $300bn annually.

Due to take effect next year, the round promises to step up the onslaught on economic frontiers which are already crumbling under the impact of technological innovation, freer capital mobility and instantaneous information flows.

However, achieving these gains is likely to prove far from painless. The fiercer global competition grows, and the broader its impact, the tougher the industrial adjustments it requires. As a consequence, many governments face mounting domestic pressure to protect threatened industries. One symptom is this week's mass protests against the round in India.

Still more serious is the threat of a lurch towards more aggressive unilateral policies and managed trade, which would strike at the basic principles of the Gatt system. Its persistence has been underlined by the Clinton administration's recently renewed pressure on Japan to open its market further or face possible US trade sanctions.

Mr Peter Sutherland, director-general of the Gatt, has condemned the trend as misguided and dangerous. "A new outbreak of bilateral trade tensions is putting the achievements of the Uruguay Round to the test even before they are fully operational," he said last month.

Against this background, it is remarkable that a deal has been concluded at all. The more so since recession and stubbornly high unemployment in many industrialised countries make trade concessions harder to sell at home.

As well as cutting tariffs, the round aims progressively to free trade in services – a fifth of total world trade – agriculture, textiles and government procurement. Though concrete liberalisation in some of these sectors has yet to be agreed, all have for the first time been brought firmly within the framework of Gatt rules and disciplines.

The round has also given birth to a new institution, the World Trade Organisation. Due to take over from the Gatt next year, the WTO will have greater authority to adjudicate international disputes and is intended as a permanent forum for trade negotiations.

However, the power of any club to enforce rules is no stronger than its members' willingness to respect them. In future, attitudes seem likely to be influenced not only by swings in the economic cycle, but by a steadily accelerating shift in the world's economic centre of gravity to the south and east.

Since the Uruguay Round was launched in 1986, a wave of liberalisation has swept across much of the developing world. It has paid off in faster growth and soaring exports, particularly of manufactured goods. As the table shows, gains in Asia have been particularly striking.

The most potent element in the ascendancy of the emerging nations is the explosive growth of China which, on recent trends, could become the world's largest economy early next century. China's weight in international policy will be felt well before then if it succeeds in its plans to join the WTO this year.

It is far from clear that the older industrialised powers which have long dominated world trade policy have yet come to terms with the implications of these developments. As they confront them, international frictions could intensify. One risk is of a retreat into protectionism. In several richer countries, job losses and declining industrial performance are already blamed on "unfair" competition from emerging economies with lower costs.

Social and political issues may prove another source of divisions, to judge by the recent row over US attempts to place labour conditions on the WTO agenda. The move has been attacked as a protectionist ploy by developing countries, some of which openly scorn western notions of democratic values and human rights.

However, the fault lines do not only run from north to south. Relations between the world's biggest trading powers are also strained – most obviously by continuing bilateral tensions between Washington and Tokyo.

Dealings between the US and the European Union are marred by bickering over specific issues and by more general mutual suspicion. This has so far thwarted a common interest in working together to try to reduce Japan's trade surplus. Brussels remains deeply nervous about Washington's motives, while the US decries the EU as cowardly and hypocritical.

Underlying this mistrust are growing uncertainties about the direction of both powers' future policy. The biggest centre on the US, where the Clinton administration has embraced a neo-mercantilist approach giving priority to government-backed promotion of exports and selected industrial sectors.

"US attitudes are undergoing a sea-change," says an international trade policy expert. One recent manifestation was the administration's decisive role in the $6bn sale of Boeing airliners to Saudi Arabia. Another was its retreat from earlier demands that the Uruguay Round restrict government subsidies because it wanted the freedom to support US high-tech industries.

The export drive has added impetus to attempts to prise open foreign markets. As impatience for quick results grows, US officials are increasingly disposed to view unilateral measures as preferable to the often slow and unwieldy mechanisms of the Gatt.

To its supporters, the approach is a robustly practical defence of national interest. To its critics, who include many other Gatt members, it amounts to bully-boy tactics which threaten to replace multilateral trade rules with the law of the jungle.

Across the Atlantic, the balance is more delicately poised. Fears of a "Fortress Europe" have proved overdone. Yet France's readiness last year to take the Uruguay Round to the brink over farm trade underlines the fragility of the EU consensus.

That it has remained intact and broadly liberal is due partly to the influence of Sir Leon Brittan, the trade commissioner. But his successors may not be as committed to upholding free trade. If the US drifted further towards unilateralism, the task might prove impossible.

It is, however, by no means certain that will happen. Optimists point out that the Clinton administration, while talking tough, has shrunk from pushing bilateral disagreements to the point of crisis.

Furthermore, the Uruguay Round will meet US criticisms of Gatt disputes procedures by speeding them up. It will also curb use of unilateral weapons, such as US section Super-301 trade sanctions, though Washington claims it will still have the right to invoke Super-301 in certain conditions.

But probably the strongest safeguard of the integrity of the multilateral trade system lies in the changed attitudes of emerging economies. Once suspicious of Gatt as a tool of western capitalist exploitation, many now see it as a guarantee of their national interests.

"At the start of the Uruguay Round, countries such as Brazil were still focusing heavily on a defensive third world agenda," says a western diplomat in Geneva. "By the end, they were much more eager to press ahead with liberalisation of trade."

As well as keeping markets open for their exports, Gatt disciplines provide their governments with useful leverage to push through politically controversial reforms at home.

The fact that these countries are also among the world's fastest-growing markets should, at least, give pause for thought to industrialised powers wavering in their commitment to multilateral trade policies. That, however, seems unlikely to prevent further stresses and strains between Gatt's members. On recent evidence, the road from Marrakesh will prove no less tortuous than the one leading up to it.

The changing balance within the Gatt

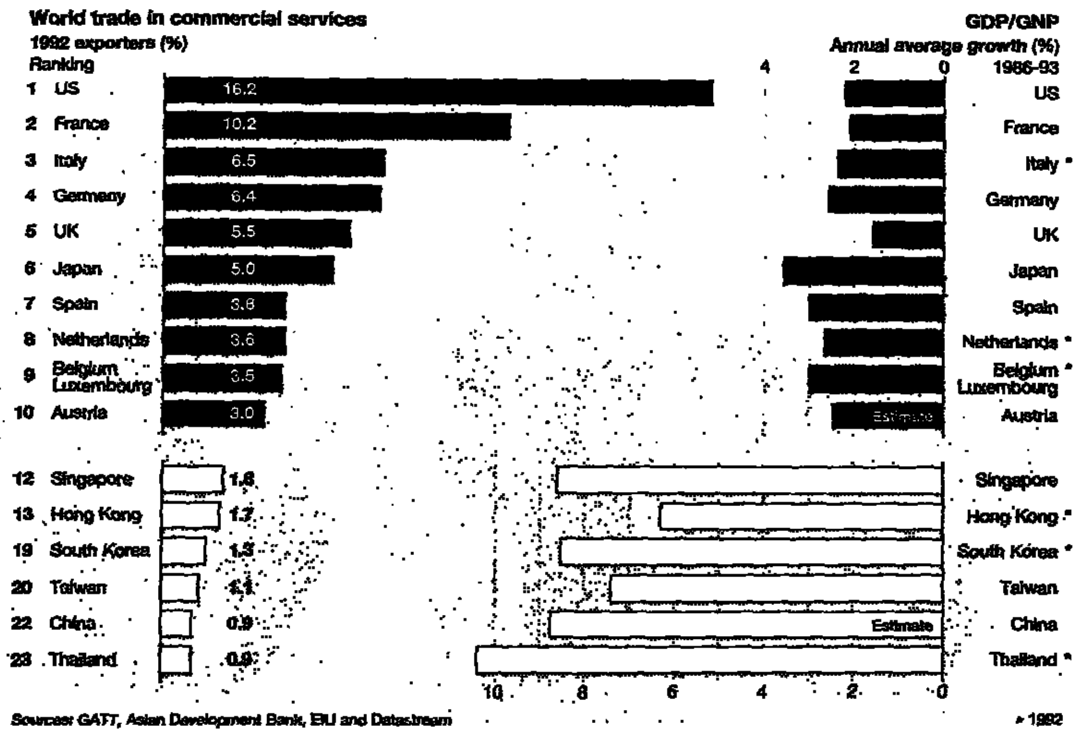
Share of world merchandise trade

Exports (%)	1982	1986	1992
North America	16.6	19.1	21.2
EU*	18.4	20.7	20.7
Japan	9.0	12.6	12.3
Asia**	12.8	14.8	19.8
Latin America	7.0	6.7	5.6
Middle East & Africa	15.8	8.1	8.0
Other	18.4	19.2	12.6

* Excluding EU intra-trade

Imports (%)	1982	1986	1992
North America	19.6	27.0	23.1
EU*	20.6	19.2	21.5
Japan	8.2	7.3	7.9
Asia**	13.2	14.2	21.2
Latin America	6.8	5.0	6.8
Middle East & Africa	13.9	8.7	7.8
Other	17.6	18.5	12.8

** Excluding Japan & re-exports from Hong Kong



Sources: GATT, Asian Development Bank, EIU and Datastream

Permanent chat shop

After almost every round of world trade talks, exhausted negotiators have thrown up their hands and cried: "Never again!" Yet a few years later they have been back at work haggling over another omnibus package.

This time, many insist, things really will be different. One reason is that the new World Trade Organisation is intended to make future rounds unnecessary by acting as a permanent bargaining forum. Full-scale ministerial conferences are planned every two years to inject regular political impetus.

Another is that, in principle, the Uruguay Round is supposed to embrace almost every important aspect of international trade. However, its ambitious scope has also left much unfinished business to be sorted out.

Gatt members have yet to strike the hard deals needed to flesh out their commitment to free trade in financial services, telecommunications and maritime transport. In sectors such as agriculture and textiles, where liberalisation timetables have been agreed, reviews are planned to assess progress or to chart the next phase of market opening.

In addition, fresh items are jostling for a place on the WTO agenda. One is trade and environment policy, on which the Marrakesh conference is expected to set up a working group. The US wants to add to the list workers' rights and competition policy, while India wants a debate on the free movement of people.

These issues are doubly controversial. Not only do they threaten to divide Gatt's ranks, as the rumpus over workers' rights has showed. Some policymakers fear they could further politicise the organisation and lead to conditions being placed on free trade – a development contrary to Gatt's central mission of tearing down barriers.

Yet trade liberalisation is already evolving in a direction which may entangle it with a wider range of sensitive issues. Increasingly, it is thrusting beyond barriers at borders, such as tariffs and quotas, to tackle obstacles deep inside national frontiers, such as exist in most types of services.

As a consequence, it seems bound to cut across ever more policies which governments have traditionally regarded as domestic priorities, or as being within the legitimate domain of national sovereignty. Sorting out clear dividing lines may not be easy.

It is too early to judge how effectively the WTO will resolve such questions. Its first task is to show it can reach the kinds of decisions and breakthroughs which, until now, have required the political dynamics and scope for complex trade-offs generated by a full-blown round of world trade negotiations.

The organisation's success on that score may determine whether it develops a powerful voice in wider international policymaking or risks becoming – in the words of the old joke about the Gatt – little more than a general agreement to talk and talk.

Guy de Jonquières

OBSERVER

Long faces of the law

■ Watch out, Mr Justice Harman. The judge, who gained brief notoriety outside legal circles in 1991 when he kicked a taxi driver in the belief that he was a press photographer, is facing a stiff challenge for the title of Britain's worst judge.

For the second time, Legal Business magazine has voted him England's worst High Court judge. However, he's being pushed hard by Mr Justice Cresswell. In the three years since his appointment to the Bench, Sir Peter Cresswell has been transformed from a brilliant banking QC into a wimp so incapable of making up his mind that it's said "if his wife puts out two bowls of cereal for him, he never gets to work".

Not too wimpish, however, to demand a right of reply: he notes "the comments you rely on seem to be in conflict with the favourable comments in your last survey".

A cautionary tale perhaps for Legal Business's "highly-rated 'Brat Pack'": Mr Justice Mance, Mrs Justice Arden and Mr Justice Longmore.

Out of the cold

■ UK foreign secretary Douglas Hurd has muffed another chance to wave the flag for British industry on his state visit to Brazil this week. No sooner had his feet hit the tarmac, than he was whisked away to open a new plant making diesel engines under licence from a German-owned subsidiary of BMW. To be fair to Hurd, the deal to build Land Rover engines was clinched before the Germans took over.

Even so, if he had been a couple of weeks earlier, he could have opened a proper British factory – TI Group's new plant in Curitiba which makes refrigeration parts.

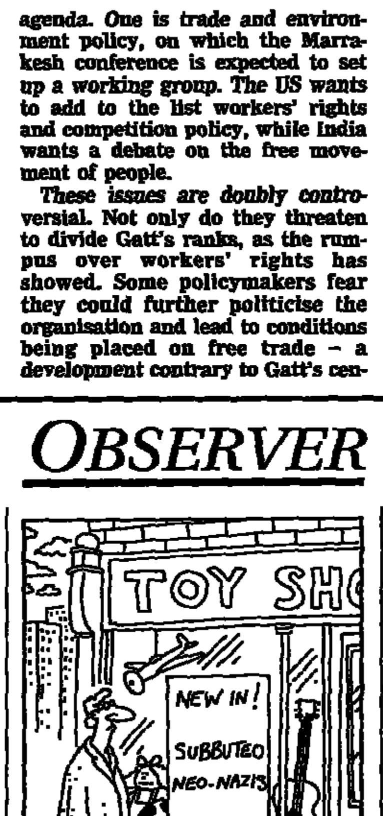
O'Malley was here

■ One of the great trade secrets of the world's industrial paints business can now be told. How did Austin O'Malley, just retired as head of PPG's European automotive paints business, always appear to be in several places at once?

The 65-year-old Irishman developed the technique in the 1960s when working for Pinchin Johnson, which supplied paint to the Ford and Vauxhall factories on opposite banks of the Mersey. O'Malley was the technical support man for both plants and soon found that he could not flit quickly enough between Ford at Speke and Vauxhall at Ellesmere Port to keep both sets of bosses happy.

So when he was in Speke for the day, he persuaded the Ellesmere Port receptionists to put out regular messages over the factory Tannoy calling him to the foyer, or the paint shop office, and so on. The Speke receptionists did the same when he was at Ellesmere Port.

Former colleagues, who tried in vain to find O'Malley in factories where his name was being broadcast, swear the technique made him a household name and helped advance his career up the European paints ladder.



Repeat after me

■ Thank goodness for that. Someone has owned up at last for misspelling the name on Dulwich College's new minibus, referred to in Wednesday's column – and it was not a pupil.

Parents, who have to pay up to £11,670 a year for the privilege of sending their kids to the exclusive London school, will be relieved to learn that the culprit did not have the benefit of a Dulwich education. It was the fault of Kirkham Minibuses, which supplied the vehicle, and the bursar stresses that he had already spotted the mistake.

The Lancashire firm, better known for its craftsmanship than its spelling, is correcting the error and writes to say that it has apologised to the headmaster for "any embarrassment".

Oh dear, Kirkham. Surely you know that there are two s's in ...

Striking out

■ Life begins at 60 – and for no one more so than George Mitchell. Consider the cornucopia of job opportunities now on offer to the 60-year-old Democrat from Maine, the Senate majority leader whose decision not to seek certain re-election this year caused many in Washington to believe he had gone nuts.

Bill Clinton clearly wants him to serve on the Supreme Court, where there is an immediate vacancy and for which, as a politician and former federal judge, he is eminently qualified. Whether or not he passes up on the opportunity this time round, he could still be the next chief justice, if William Rehnquist hangs up his robe before the next election.

He could also easily be the next secretary of state whenever Warren Christopher moves on, especially now that the once-heir apparent Strobe Talbott has a bit of a blotted copybook. This would neatly square a circle, since in 1980 Mitchell took over the Senate seat of his Maine mentor, Ed Muskie, who replaced Cy Vance at Foggy Bottom.

Baseball wants him to be its commissioner, another vacant slot. An ardent fan, Mitchell is tempted, but points out that managing 30 megalomaniac team-owners might be harder work than managing 99 megalomaniac senators.

With these prospects, it must come as a relief to Messrs Lubbers, Brittan et al that Mitchell has not yet expressed an interest in a certain position in Brussels.

Crumbs

■ Whoops. No, Belgian manufacturer Corona Lotus does not have the licence for making fast cars with a typewriter stashed away in the glove compartment.

Instead, it makes a chocolate-covered biscuit which sells happily in its home country, the Netherlands, Luxembourg and France. But before it can be sold in Britain it will be rechristened Spink.

Apparently, the company felt "Spunk" would not be well received ...

FINANCIAL TIMES
Friday April 8 1994

Early atom tests and 'smart' weapons prospect recedes

French compromise on N-policy

By David Buchan in Paris

Mr Edouard Balladur, the French prime minister, appears to have struck a compromise with President François Mitterrand on nuclear weaponry that may head off the country's development of "smart" atomic arms and reduce the need for an early resumption of nuclear testing.

France's defence council decided on Wednesday that the entry into service of the planned long-range M5 nuclear missile should be delayed from 2005 to 2010. The council was meeting to finalise the government's framework law on military spending for the period 1995-2000.

Mr Mitterrand has championed the M5 missile, France's version of the Trident submarine missile with a range of nearly 8,000km, to maintain France's traditional deterrent strategy of threatening any attacker with massive retaliation.

However, a growing number of conservative backbenchers, particularly from Mr Balladur's own Gaullist RPR party, fear the M5 will swallow up resources better used in developing smaller, more "useable" weapons in the face of potential threats from countries such as Iraq or Libya.

Mr Mitterrand appears to have won in return Mr Balladur's agreement to prolong the life of France's land-based nuclear deterrent with the commissioning of a study into how an interim missile – the 6,000km-range M45, which is to be fitted to new French nuclear submarines during 1996-97 – might be deployed in the early years of the next century.

Mr Mitterrand has always argued that keeping land-based rockets in their silos on the Plateau d'Albion, a sparsely-populated mountain area north-east of Avignon, is essential to deterrence, because any attack on it would cause such damage that the attacker would know he would face massive retaliation.

Mr Mitterrand faced down an attempt in 1988 by the previous conservative government, led by Mr Balladur's party rival, Mr Jacques Chirac, to abandon fixed land missiles in favour of mobile missiles.

This Mitterrand-Balladur compromise could reduce the need to resume underground nuclear testing, which Mr Mitterrand put under a moratorium in April 1992 defying much of France's military and conservative political establishment. The moratorium on testing on the French atoll of Mururoa in the south Pacific had become difficult to reverse politically because of the international conference on non-proliferation next year.

The warhead for the M45 has been tested. The M5 missile may require the testing of a new warhead, but testing may now be delayed.

Substantial savings in French defence spending still appear unlikely to be found in the nuclear field.

By the new framework law, equipment spending - FFr 100.4bn this year - is to rise by 0.5 per cent a year in real terms during 1995-97. All large existing arms programmes survive in the law, though some are to be slowed.

Gatt row on workers' rights settled

By Guy de Jonquières, Business Editor, in London and Gillian Tett in Brussels

Chat shop..........Page 13

The US and developing countries yesterday settled a bitter dispute over workers' rights, which had threatened to overshadow the signing of a global trade accord at next week's ministerial meeting of the General Agreement on Tariffs and Trade in Marrakech, Morocco.

The US had demanded that a formal declaration planned for the meeting should commit the World Trade Organisation, which is due to succeed the Gatt next year, to discussing links between trade and labour standards.

The demand was strongly opposed by most developing countries, which feared it was a pretext to erect trade barriers against them. The aggressiveness of the US approach was also criticised by the European Union.

In a compromise negotiated in Geneva, the US has accepted that the declaration should go ahead without any mention of workers' rights. However, other Gatt delegations have agreed in principle that the issue should be aired in the preparatory committee which will draw up the WTO's agenda.

Developing countries have also said they will not object to Mr Mickey Kantor, the US special trade representative, stressing in Marrakech the importance the Clinton administration attaches to labour standards.

The US and other countries said they were satisfied with yesterday's settlement. "It's enough to say [the issue] is on the agenda and we're beginning," Mr Kantor said. "The outcome met everybody's biggest concerns, without requiring anyone to give up anything substantial," said a delegate from a large developing country.

Washington appears confident that several leading trading powers, including the EU, Japan and Sweden, will support its call for an early debate on workers' rights in the WTO preparatory committee. However, it still seems undecided on tactics.

US officials believe they need to do more to persuade other delegations that they are not seeking a backdoor way to erect trade barriers. Mr Kantor repeatedly emphasised yesterday that the US would oppose the use of workers' rights as a "protectionist tool."

The issue will have to compete for attention with a growing list of other proposals made by delegations, including the EU and Japan.

● The deal was given a qualified welcome by the International Confederation of Free Trade Unions, the main international trade union body, *writes David Goodhart, Labour Editor.* It said it was disappointed that workers' rights would not be included in the ministerial declaration in Marrakech, but was encouraged that governments had taken at least a small step towards proper discussion of the issue.

Israel seals off occupied territories

Continued from Page 1

atmosphere of real war which will engulf the Zionist soldiers and enemy commanders in the coming days."

Hamas, which bitterly opposes the Israeli-PLO peace agreement and wants to build an Islamic state in all the historical land of Palestine, said at least four more attacks were being prepared and ordered Jewish settlers to leave their homes.

In Israel, right-wing opposition leaders have called for a suspension of the peace talks and the resignation of Mr Rabin.

The government has said it is determined to press on with talks aimed at implementing the peace accord. However, it remains unlikely that both sides will be able to sign a security agreement by next Wednesday's deadline for the completion of an Israeli troop withdrawal from the Gaza Strip and West Bank town of Jericho.

Bosnian Moslems announce ceasefire

Continued from Page 1

troops are reported to be gaining ground in central Bosnia, wants international pressure to focus on the plight of Gorazde, one of three so-called 'safe areas' in the east of the republic.

But the mild language of a UN Security Council resolution on Wednesday night, which stopped well short of threatening air strikes against Serb forces surrounding Gorazde, has disappointed the Bosnian government.

Mr Anthony Lake, President Bill Clinton's national security adviser, said the US had not ruled out taking military action to defend Gorazde and other besieged Bosnian cities.

Mr Radovan Karadzic, the Bosnian Serb leader, expressed impatience with his adversaries. "If the Moslems do not immediately stop their offensive along all confrontation lines, we will order an all-out counter-offensive, and then let the Security Council help them," he said. The Serbs maintain that their offensive in the Gorazde area, in which around 400 people have been killed or injured, was in response to advances in central Bosnia by Moslem infantry, whose effectiveness is growing as the weather improves. Gen Rose has accepted this contention, but there are reports of unhappiness among some of his UN colleagues about his apparent determination to play down the situation in Gorazde and avoid Serb embarrassment.

The UN commander said after meeting General Rasim Delic, the head of the Bosnian army: "I am disappointed that the war will go on as long as we continue to debate on this level. We need immediate cessation of hostilities followed by the peace process, and that's what we are trying to achieve." General Delic told reporters: "There is nothing going on."

Growth in UK output confirms recovery

Continued from Page 1

rates in the UK have reached their low point.

According to the figures, much of the recent strength in manufacturing is due to higher output of investment goods rather than consumer goods.

Investment goods output rose 1.1 per cent in February after a 4.1 per cent increase in January. In the latest three months it was 1.8 per cent up on the previous three months, boosted mainly by a sharp rise in the output of electrical goods.

By contrast, consumer goods output rose 0.4 per cent in February, after a 0.1 per cent increase in January. It was up 0.6 per cent on the latest three months, with a drop in car production offset by rises in output elsewhere.

Analysts said yesterday's official figures finally confirmed the optimism shown in recent industrial trends surveys by the Confederation of British Industry and others.

THE LEX COLUMN

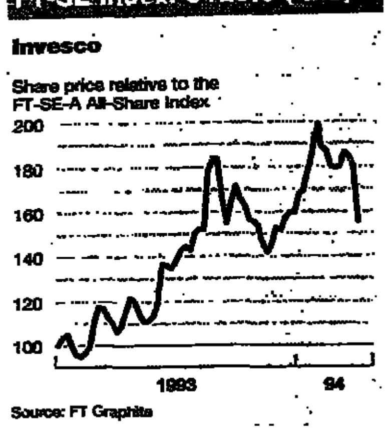
Recovery in the balance

Welcome though yesterday's UK manufacturing output figures are, they reveal little about how consumers will actually react to this month's tax increases. There are signs the recovery is broadening out into the capital goods sector: output of investment goods rose 1.8 per cent in the three months to February. Strip out the fall in car production, which may well have been erratic, and there appears to have been a healthy increase in output of consumer goods as well. Insofar as that leads to higher employment, aggregate personal disposible income will grow, offsetting at least some of the effect of the tax increases.

In short it looks as though the tax increases are taking effect when other ingredients of continuing recovery are in place. The unanswered question is whether a collapse in consumer confidence would choke off investment spending and therefore hopes of a broader-based recovery as well. At least this week's buoyant M0 figures for March suggest this has not happened yet. And there are some grounds for believing the impact of the tax increases may be less than many feared.

Only some of the increases will actually show up in monthly pay checks. Some are better described as cuts foregone. Some, like levies on insurance and travel, have yet to strike and will be absorbed into broader price movements anyway. Meanwhile, a greater sense of job security and higher turnover in the housing market may encourage consumers to borrow more. In that case the balance of payments could displace consumer confidence as the principal economic worry. That would make it even harder for the government to curry favour with voters in the local and European elections by cutting interest rates.

FT-SE Index: 3129.0 (-2.5)



Source: FT Graphite

Amec

Given that at the interim stage the City expected Amec to make £30m in 1993, a full year profit of £21m is a real disappointment. That is especially true because the company looks unlikely to beat the £30m target this year, despite the gathering improvement in the UK housing market. The result only underlines how far market enthusiasm for cyclical stocks exceeded their capacity to deliver. Not only are contracting profits much further out in the economic cycle; the tax charges for companies which have run up losses in the recent past will rise as recovery comes. Earnings performance may well be pedestrian over the next two or three years.

With contracting remaining difficult it is odd that Amec's shares are trading at a premium to pure UK housebuilders. They are more obvious early beneficiaries of low interest rates and economic recovery. Construction companies also generate uncertainty because timing of profits over long contracts makes profits hard to model. The sector as a whole might benefit from an accelerated trend towards greater disclosure. A more detailed breakdown of Amec's North Sea and mechanical engineering businesses might help reassure.

Even so, as Amec points out, excess capacity in construction is likely to dog the industry for some time, making positive surprises even less likely. Shareholders might have greater justification for the last year's enthusiasm if the shares had managed more than a 2 per cent annual compound capital growth rate over the last decade.

Invesco

With the legacy of Maxwell now behind it, Invesco deserves to be judged squarely on its merits as a fund manager. Yesterday's 10 per cent fall in the shares suggests the market's judgement is not favourable. With 80 per cent of its business in the US – where last year's bull run in investment markets was less pronounced – funds under management were never likely to match the spectacular growth achieved by others in the sector. More worrying is the rise in expenses, which held full-year profits below expectations.

There may be special factors at work. Investment in systems now might attract more pension fund clients in future. Still, it would be heartening to see some concrete results from the company's declared determination to get to grips with costs. A European operating profit of £4m is especially disappointing. If Invesco can convince on costs, though, it looks well placed: While UK institutions' memory of past mistakes will linger, and its franchise in unit trusts will take time to rebuild, Invesco's position as an international manager serving US pension funds should leave scope for growth.

In the short-term, the sensitivity of fund managers' shares to movements in the equity market is a reason for caution. Before yesterday Invesco had already fallen by 20 per cent since the stock market turned in early February, in common with most of its peers. If Invesco wants to evolve beyond the status of a geared play on equities – as M&G did for a while in the 1980s – it still has something to prove.

Credit cards

Barclaycard's offer to take over balances from other cards at a discount looks baffling when it already has a market share of 38 per cent by value and is recruiting new customers at record rates. There is no immediate threat from newcomers to the market - Barclaycard's link with Ford seems to have been an effective response to Vauxhall's GM card. Then again, the offer is not quite as generous as it looks. There cannot be many low risk customers around who are also feckless enough to run up a balance of at least £3,000 on their credit cards when cheaper forms of borrowing are available elsewhere. Barclaycard's campaign may keep its public profile up, but the offer looks unlikely to cost that much.

Still Barclaycard's tactics do reveal a reluctance to take on board the notion that its business might grow even faster if it were prepared to cut its prices. There must be some resistance to an annualised percentage rate of nearly 22 when base rates are a mere 5¼ per cent. Since most banks want to lend more and the consumer sector offers a better prospect of loan growth than the corporate sector, the chances are that margins on credit card lending will come under pressure. At that point profits will become harder to earn, even if there is some reduction of bad debts in the recovery.

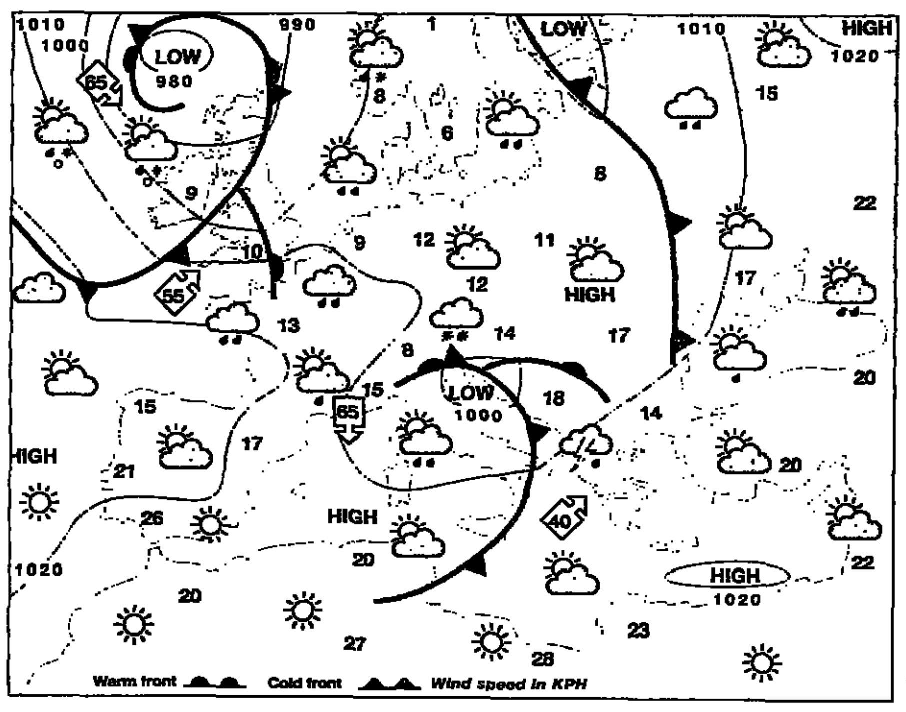
FT WEATHER GUIDE

Europe today

A low pressure system over the Adriatic will bring numerous showers to eastern France, the Alps and Italy. During the afternoon, the showery conditions will spread into Greece and the southern Balkans. The Benelux and Germany will have sunny periods followed by evening rain. England, Wales and southern Ireland will have moderate morning rain. In the afternoon, clouds will break and blustery April showers will develop. Northern France will be rainy too but Spain will remain dry with sunny conditions in the south. Another band of rain will stretch over western Russia and sleet is expected in northern Scandinavia. Southern Scandinavia will have wintry showers and periods of sunshine.

Five-day forecast

Low pressure areas will remain active over the Atlantic and the North Sea. As a result, western and central Europe will have an unsettled and cool weekend. There will be a mixture of sunshine and widespread showers, some with hail and thunder and even snow on higher ground. South-east Europe including Italy will be unsettled but Spain and Portugal will remain dry and sunny.



Situation at 12 GMT. Temperatures maximum for day Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	18	Caracas	sun	26	Edinburgh	shower	9	Madrid	fair	20	Rangoon	sun	35
	Celsius		Belfast	shower	8	Cardiff	windy	9	Faro	sun	21	Majorca	sun	18	Reykjavik	hail	3
Abu Dhabi	sun	31	Belgrade	fair	17	Casablanca	sun	19	Frankfurt	shower	12	Malta	fair	20	Rio	thund	27
Accra	fair	31	Berlin	fair	13	Chicago	rain	14	Geneva	shower	7	Manchester	rain	10	Rome	shower	15
Algiers	sun	20	Bermuda	sun	21	Cologne	fair	12	Gibraltar	sun	21	Manila	fair	33	S. Frsco	rain	15
Amsterdam	fair	10	Bogota	shower	17	D' Salaam	shower	31	Glasgow	hail	8	Melbourne	fair	20	Seoul	fair	14
Athens	fair	18	Bombay	sun	32	Dakar	sun	27	Hamburg	fair	13	Mexico City	fair	23	Singapore	shower	32
Atlanta	sun	22	Brussels	shower	11	Dallas	sun	22	Helsinki	rain	7	Miami	fair	29	Stockholm	cloudy	6
B. Aires	fair	19	Budapest	cloudy	15	Delhi	sun	32	Hong Kong	fair	30	Milan	shower	19	Strasbourg	shower	10
B.ham	rain	10	C.hagen	fair	9	Dubai	sun	30	Honolulu	sun	28	Montreal	sun	7	Sydney	sun	24
Bangkok	fair	36	Cairo	sun	26	Dublin	shower	10	Istanbul	shower	14	Moscow	cloudy	15	Tangier	sun	20
Barcelona	fair	17	Cape Town	fair	24	Dubrovnik	thund	14	Jersey	rain	11	Munich	rain	8	Tel Aviv	sun	22
									Karachi	sun	31	Nairobi	thund	27	Tokyo	shower	12
									Kuwait	fair	32	Naples	shower	14	Toronto	fair	10
									L. Angeles	cloudy	18	Nassau	fair	31	Vancouver	rain	13
									Las Palmas	sun	21	New York	sun	13	Venice	rain	15
									Lima	cloudy	26	Nice	shower	16	Vienna	cloudy	13
									Lisbon	sun	21	Nicosia	fair	21	Warsaw	fair	11
									London	rain	12	Oslo	fair	7	Washington	sun	15
									Lux bourg	shower	9	Paris	fair	13	Wellington	cloudy	16
									Lyon	shower	13	Perth	sun	28	Winnipeg	cloudy	7
									Madeira	fair	19	Prague	cloudy	12	Zurich	rain	8

هكذا من الاصل

صكنا من الاهل

FINANCIAL TIMES
COMPANIES & MARKETS

Friday April 8 1994

IN BRIEF

Laidlaw laid low by LA earthquake

Laidlaw, the Ontario-based waste and passenger services group, blamed the Los Angeles earthquake, harsh winter weather and regulatory problems at its flagship hazardous waste dump for a 40 per cent drop in earnings in its second quarter. Page 16

Pacific Telesis spins off wireless unit
US telecoms operators are hastily reassessing their prospects amid regulatory and technological upheaval. This week sees the spin-off from Pacific Telesis, the San Francisco-based Bell company, of its wireless business into a separate company – AirTouch Communications. Page 18

Citibank takes hold in Japan
Japan has only 60 "hole-in-the-wall" cash machines available 24 hours a day. All 60 belong to Citibank, the US bank. It has been the only foreign group to set up a branch network in Japan and its retail operations there should move into profit next year. Page 19

Prague bonds to go underground
The City of Prague is preparing to launch its first bond offering since the 1920s to help finance the modernisation of its underground transport system, which was built during Communist rule. Page 20

Hewden-Stuart forecasts upturn
Hewden-Stuart, the UK's biggest independent plant hire company, is still confident that 1994 will see the start of a national recovery in the building and construction industry. The Glasgow-based group reported a 60 per cent rise in pre-tax profits to £19.1m for the year, on sales up 21 per cent to £200m ($282m). Page 21

Wolseley pipes into Austria
Wolseley, the expanding UK heating and plumbing distributor, has announced the acquisition for £56.9m of the OAG Group, the biggest distributor of plumbing supplies in Austria. Page 21

Publisher to come to market
Cassell, the publisher which recently bought the Victor Gollancz fiction imprint, will come to the market next month through a placing which will give the group a market capitalisation of about £15m ($22m). Page 22

US division boosts Invesco
Invesco, the international fund management group, reported sharply improved profits after a year of worldwide restructuring and negative publicity in the UK. Pre-tax profits for the year were £33.4m ($49.8m), against £12.6m last time with profitability concentrated in the US. Page 23

Brammer nudges ahead
Brammer, the UK industrial services group, reported a marginal increase in pre-tax profits from £8.22m to £8.28m ($12m) in the year to end-December. Page 23

Coffee reaches new high
Coffee prices reached a new high yesterday as July futures on the London Commodity Exchange soared $33 a tonne to close at $1,440 a tonne. Page 24

Zurich rides a wave
The Zurich bourse was higher for the third day in a row, as financial stocks continued to enjoy their new-found favour. The rally in Milan also continued. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AEG	180	+	7.5
BHF Bank	450	+	12
Degussa	551	+	111
Falls			
Continental AG	288.5	–	5.5
KHD	139.8	–	6.1
Zanders	223	–	12

NEW YORK ($)

Rises			
Dillard Dept	35⅞	+	1⅝
Gap	48¾	+	2
Sun Microsys	25¼	+	2⅛
Wal-Mart	26½	+	⅜
Falls			
Allied Signal	35¾	–	1
Caterpillar	117	–	2⅛

PARIS (FFr)

Rises			
Accor	709	+	18
EBF	940	+	32
Ecco	880	+	25
Falls			
Canal	950	–	15
Geophysique	568	–	18
UAP	175	–	5.5

TOKYO (Yen)

Rises			
Arabian Oil	5000	+	350
Central Glass	414	+	16
Daimaru Inc	879	+	59
Meiden Corp	733	+	33
Teijin	516	+	29
Falls			
Aoyama Trdng	5200	–	310

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Alexandra Wkwr	215	+	10
BP	371	+	14
Braime A	190	+	15
Electron House	144	+	9
Fisons	138	+	7
GKN	576	+	21
Hewden-Stuart	161	+	9
Hockerprint	28	+	3
Lonrho	145½	+	7
Mid-States	104	+	7
Owen Robinson	30	+	4
Pittards	59	+	4
Trafficmaster	188	+	23
Warner Estate	261	+	10
Wilkes (J)	177	+	17
Falls			
Blue Circle	325	–	12
CarnaudMetalbox	2075	–	169
Forte	239	–	8
Invesco	172	–	22
Neotronics	84	–	32
Norweb	664	–	27
RMC	943	–	28
Wardle Storeys	435	–	27
Wimpey (G)	187	–	8

Daimler slashes its dividend by 38%

By Christopher Parkes in Frankfurt

Stark contrasts in the state of health of Germany's financial and industrial sectors were highlighted yesterday with the announcement of a 38 per cent cut in Daimler-Benz's dividend and a 12.5 per cent increase at Dresdner Bank.

Daimler, the country's largest industrial concern, and parent to Mercedes-Benz, AEG and Deutsche Aerospace, blamed difficult business conditions and heavy restructuring costs for a decision to slash its payout from DM13 to DM8.

The first reduction since the second world war was approved at a meeting of the management and supervisory boards yesterday, which also agreed to go ahead with a rights issue. Details of 1993 earnings will be presented at a press conference next Tuesday.

Dresdner Bank, second in size only to Deutsche Bank, will give details today on profits and its decision to raise its dividend from DM12 to DM13.50.

Markets had been primed for Daimler's reduced payment since last autumn, when executives, hitherto optimistic about dividend prospects, had a change of heart. This followed employee unrest at warnings about further job-cuts and the closure, by Deutsche Aerospace, of at least six sites.

Mr Edzard Reuter, group chairman, said then the company would try to avoid "bitter disappointments" for shareholders, but added that employees could not be expected to be the only ones to make sacrifices. Many analysts suggested a payment of DM10 would have been appropriate.

Dresdner's dividend matched most expectations, which had hardened after Deutsche Bank last week reported a 16 per cent increase in operating profits, despite provisions for bad debts of more than DM3bn ($1.8bn). Deutsche is house bank to thousands of companies which have been badly squeezed by recession. Dresdner, smaller but less exposed to the industrial slump, is expected to show a relatively better result.

This year the banking sector is likely to show improved, though less sparkling, earnings. Many industrial companies, with restructuring costs already covered and foreign demand picking up, are forecasting sharp profit increases. foreign demand.

Most of Daimler's improvement this year is expected from the Mercedes vehicles arm, which yesterday announced a 34 per cent rise in first-quarter unit sales in the US.

Markets, Back Page

Olivetti bonds to fund mobile telephone deal

By Andrew Hill in Milan

Olivetti, the Italian information technology group, could raise more than L600bn ($362m) in a convertible bond issue announced yesterday, to finance the new mobile telephone venture in which it is one of the main shareholders.

Olivetti also revealed that it had cut net losses to L465bn in 1993, compared with L650bn the previous year, and increased sales for the first time since 1990. Net debt was cut to L798bn from L950bn.

The group will ask shareholders at a special meeting on May 11 and 12 to approve the issue of up to 250m shares as part of a convertible bond issue to institutional investors. The price of the issue has yet to be fixed, but at current market values should raise more than L450bn.

Last year the company, headed by Mr Carlo De Benedetti, pushed through a L902bn rights issue to fund expansion into the information technology and telecommunications sectors, provoking a sharp drop in its share price.

The computer group is still celebrating its success last week in winning the licence for Italy's GSM mobile telecommunications network, at the head of the Omnitel-Pronto Italia consortium. Omnitel will have to invest some L3,000bn to build the network, of which Olivetti will provide 35 per cent, in line with its stake in the consortium. Analysts believe the group may have to raise further loans to cover the investment.

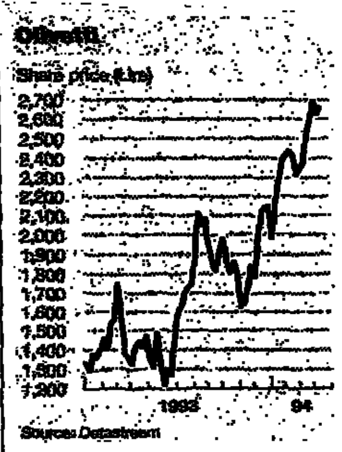
In 1993 Olivetti failed to break even at the operating level as it had hoped to do. It was hit by the 1991 devaluation of the Italian lira which increased the cost of components. The company hoped to break even in 1994.

Olivetti reduced its operating losses slightly last year from L229bn to L206bn, on sales of L8,613bn compared with L8,035bn. The group said sales had continued to increase in the first quarter of 1994, raising hopes that the computer and information technology market may be starting to pull out of the international recession.

Olivetti also hopes to complete its restructuring programme in the first half of this year. Since 1989, the group's workforce has been cut from 57,000 to 35,000, and last year's redundancy package cost the company L255bn in extraordinary charges.

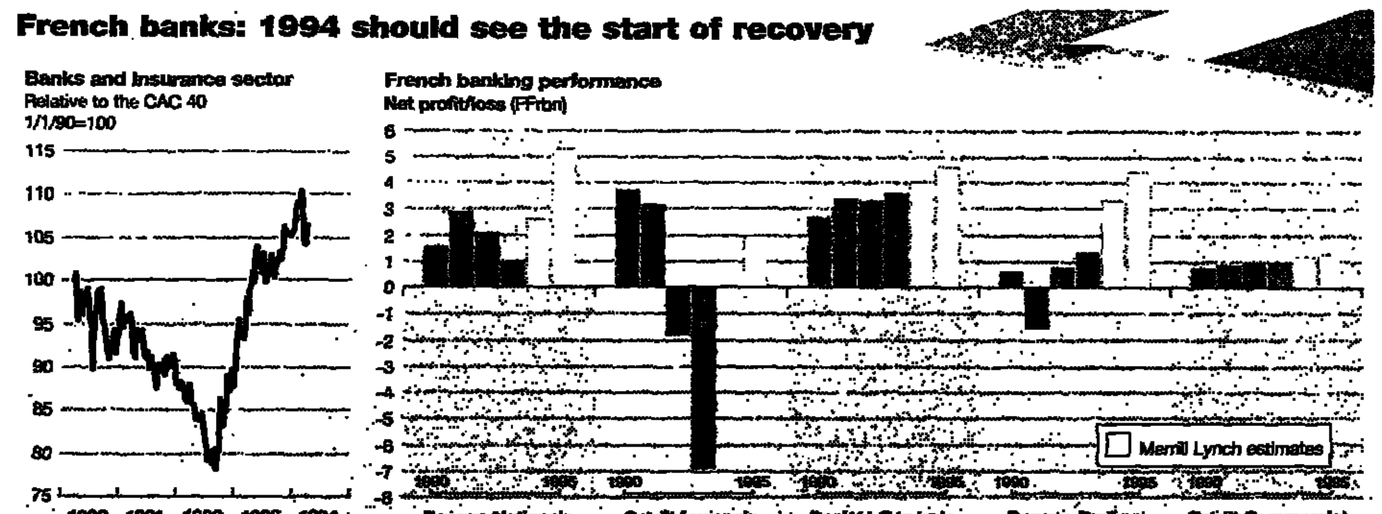
The computer group believes it is now emerging from its recent difficulties, which culminated in last year's admission by Mr De Benedetti that the group paid bribes to the Italian Posts Ministry to avoid being cut out of lucrative contracts. Mr De Benedetti was arrested in November but later released and no further action has been taken.

Cerus rights issue, Page 16



Source: Datastream

Alice Rawsthorn sees life in the banking sector after Crédit Lyonnais



Source: Company reports, Merrill Lynch

Invalid on road to renewed health

For the past few weeks, the French banking industry has been dominated by the political rows over the government's FFr44.9bn ($7.7bn) rescue deal for Crédit Lyonnais. But behind the scenes, France's other big banks have quietly been healing their wounds after two bruising years of recession.

Suez, the holding company with extensive banking interests, earlier this week confirmed that it came back into the black last year. Paribas, Société Générale and Crédit Commercial de France recently announced increased profits for 1993. Banque Nationale de Paris (BNP) was the only one of the large banking groups to suffer a fall in profits last year.

French banking is still in a fragile state as illustrated last week by the government's announcement that it was postponing the privatisation of Banque Hervet, a small commercial bank, until it had completed a FFr750m recapitalisation. But the economy is now creeping out of recession and, judging by the cautiously confident tone of recent results announcements, the banking industry is on course for recovery.

"France has just had its worst recession since the war and all the banks have suffered," said Mr Sasha Serafimovski, banking analyst at Merrill Lynch. "But 1994 will be a much easier year for the industry and we should see the start of a recovery."

One of the main problems for France's banks during the early 1990s has been the decline in demand for credit – the first since the second world war – reflecting the impact of high real interest rates and the low level of confidence among companies and consumers.

The credit squeeze, which followed a buoyant era of double-digit growth in credit during the late 1980s, has imposed intense pressure on margins by forcing the banks to fight for share in a shrinking market. Their only consolation last year was a windfall profit from their trading activities during the currency crisis.

In theory the level of credit demand should increase when the economy picks up. But in practice there is usually a time-lag while confidence recovers. The French banks also face the problem of a highly liquid corporate sector, which means that companies will wait until they have exhausted their existing capital before borrowing again.

There is, however, some hope of an improvement in credit demand this year. Meanwhile the banks hope to improve productivity. French banks have high overheads by international standards. Ms Sheila Garrard, banking analyst at Lehman Brothers, estimates that operating costs account for 67-68 per cent of the net income of both BNP and Société Générale, against 65 per cent for comparable banks in the UK and Switzerland, or 60 per cent in Spain.

So far the banks have been hampered in their cost-cutting by strict French labour laws and tough trade unions. However Crédit Lyonnais last month unveiled a plan to reduce its 38,449-strong French workforce by 10 per cent over three years.

Mr Jean Peyrelevade, chairman of Crédit Lyonnais, claims that the group is in such a precarious state that staff have no choice but to accept. If he succeeds in implementing his proposals, other French banks will be in a stronger position to demand heavier cuts from their employees.

Meanwhile the banks are hopeful that 1994 will herald the end of their difficulties in the property market. Commercial property has been one of the chief casualties of the French recession. A number of banks, such as Crédit Lyonnais, Hervet and some Suez subsidiaries, have been forced to make heavy write-downs on property-related loans and investments.

However the banks will almost certainly have to make further write-downs on non-performing corporate loans as the rate of business failures tends to remain high beyond the end of recession as small companies hit cashflow crises in the struggle to meet increased demand.

"We're certain to see better results for the French banks in 1994, but that's only the start," said Merrill Lynch's Mr Serafimovski. "The real recovery will come in 1995 and 1996. The question is how big it will be."

Banesto bidders angered by 'inadequate information'

By David White in Madrid

The battle to control Banco Español de Crédito (Banesto) following the Spanish banking group's financial restructuring is becoming increasingly acrimonious, with complaints from potential bidders that they have been given inadequate information about Banesto's business.

Up to five other leading Spanish banks are in a position to bid for the controlling stake in Banesto after buying documentation on the sale from the Deposit Guarantee Fund, the body which temporarily holds 73 per cent as a result of a capital increase approved last month.

Three – Banco Bilbao Vizcaya, Banco Santander and the semi-state owned Argentaria – are considered firm candidates. Banco Central Hispano, created by a merger three years ago, has indicated it is not contemplating taking a controlling stake but might be interested in parts of the Banesto empire.

The fifth bank, Banco Popular, which is still undecided whether to bid, has stated publicly that it has "a long list of unanswered questions" to put to Salomon Brothers, the US bank which is advising the Bank of Spain and the Deposit Guarantee Fund on the sale.

Other banks have complained privately about the paucity of information in the documents, for which each bank has paid Pta100m ($715,000). Complaints refer to details about questionable loans, which are said to occupy only two pages in the eight-volume dossier, activities of subsidiary companies and foreign currency positions.

Argentaria said that with the information available, it was "impossible to make an adequate valuation" in order to put forward a bid. Other banks declined to comment officially but were also believed to be seeking further financial details.

A lobby is building up against control of Banesto by Argentaria, which risks being perceived as an indirect nationalisation.

Potential bidders must submit any further questions on the sale by this afternoon, and are due to notify the Bank of Spain of their intentions and planned partnership arrangements by March 18, a week before the deadline for bids. A decision is due on May 9.

Bidders must make an offer for the whole of the 73 per cent stake, a 13 per cent slice of which is reserved for existing shareholders.

BP investors snipe at bonuses

By Robert Corzine in London

Weak crude oil prices are the usual cause of oil company directors squirming in their seats. Yesterday it was the turn of British Petroleum shareholders to provide the irritation when they challenged the BP board over executive remuneration.

The most contentious issue at yesterday's annual meeting, at the Barbican in London, centred on a resolution to extend a 10-year-old share option scheme for middle-ranking BP managers. Many shareholders saw the issue as a rallying point for opposition to extensive executive incentive schemes at a time when BP's dividend is frozen.

There was never any doubt that Lord Ashburton, chairman, would overcome the sniping from the floor. He did, after all, have more than a billion proxy votes in favour of the resolution.

But the merits of the resolution were soon swamped by broader expressions of shareholder concern over other incentive schemes, including one covering BP's top 80 managers.

Questioning by a member of the UK Shareholders Association took its toll. Lord Ashburton conceded that the draft share option scheme had "technical shortcomings". He also agreed that a review of the plan by the Association of British Insurers had criticised it for a lack of performance criteria.

The shareholders' association spokesman claimed the plan violated the Cadbury code on corporate governance, because it failed to provide "a full and clear statement of the directors' criteria on which performance would be measured". He also argued that the directors on BP's compensation committee were not sufficiently independent. Other shareholders expressed concern at the total number of shares – more than 84m – on offer through the employee schemes.

Lord Ashburton said base salary accounted for only 50 per cent of the total remuneration of BP's top executives, with bonuses and share schemes accounting for the rest.

He said bonuses paid to executives last year were "materially higher than those paid the year before because the company's results were materially higher". The dividend would be raised when "trading conditions … and prudence" made it possible.

Cerus announces FFr858m rights issue plan

By John Ridding in Paris

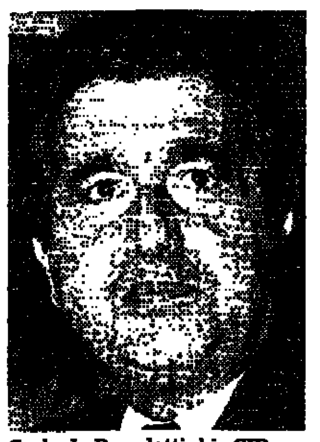
Cerus, the French holding company controlled by Mr Carlo de Benedetti, the Italian industrialist, yesterday announced plans to raise FFr858m ($146m) through a rights issue aimed at reducing debts and reinforcing its financial structure.

The company said that one new share would be offered at FFr100 for every three shares already held. Cerus shares fell sharply, losing FFr7.80 to close at FFr129.

The announcement of the share issue comes a day after the group revealed sharply reduced losses of FFr251m for 1993, compared with FFr1.55bn the previous year. Mr Michel Cicurel, deputy chairman, said yesterday that the results for the current year should be around break-even.

The company also announced a reduction in net debts, from FFr1.45bn at the end of 1992 to FFr108m at the end of last year. "A holding company should not be indebted," Mr Cicurel said yesterday, adding that the proceeds of the rights issue would be used solely to strengthen its balance sheet.

Cerus, which is 49 per cent controlled by Mr Benedetti's CIR, is now concentrating on its industrial participations, including its 29 per cent holding in Valeo, the vehicle components group. Mr Cicurel said yesterday that Cerus planned to sell Duménil Leblé, its loss-making banking operation, by the end of the year.


Carlo de Benedetti: his CIR controls 49 per cent of Cerus

According to Cerus, several companies have expressed interest in buying the private banking activities of Duménil. A spokesman for the company said, however, that these activities would probably be retained until a sale had been arranged for the bank's portfolio of property loans.

According to Cerus, CIR will subscribe to the rights issue in proportion to its current shareholding.

The issue will be underwritten by Banque Nationale de Paris and Banque Indosuez. The issue of 8.58m new shares should reduce net assets per share from FFr145.70 to FFr134.30.

● Pechiney International, the packaging arm of Pechiney, the French state-owned aluminium group, yesterday announced that it would take a 40 per cent stake in Capolo, the Italian packaging group.

Capolo, which has annual sales of L270bn ($163m), employs 800 people in seven factories in Italy and is one of the country's largest food packaging companies.

Pechiney declined to state the amount it was paying for the stake in Capolo, which is currently owned 100 per cent by Europe Capital Partners, an investment fund. The current management team will remain in place, the French group said.

Laidlaw earnings tumble to $17m in second quarter

By Bernard Simon in Toronto

Laidlaw, the Ontario-based waste and passenger services group, blamed the Los Angeles earthquake, harsh winter weather and regulatory problems at its flagship hazardous waste dump for a 40 per cent drop in earnings in its second quarter.

Net income fell to US$17m, or 6 cents a share, in the three months to February 28, from $28.1m, or 10 cents, a year earlier. Revenues climbed to $530.4m from $469m.

Laidlaw's results no longer include any contribution from its 24 per cent stake in ADT, the international security and vehicle auction group.

The Canadian company began distancing itself from ADT last January through an issue of debentures which it can redeem with its ADT shares.

Income from Attwoods, the UK-based waste management company in which Laidlaw has a 35 per cent stake, fell to less than $1m from $4.3m, due to a previously-announced special charge.

Mr Jim Bullock, chief executive, expressed disappointment with the results, but predicted an improvement for the rest of the year, due to the strengthening US economy and to a flurry of acquisitions of US ambulance operators. The move into ambulance services is expected to contribute $125m to fiscal 1994 revenues.

Disruptions to school-bus services caused by the California earthquake and the severe winter are estimated to have sliced $12m off quarterly revenues.

Passenger service margins narrowed to 7.5 per cent from 13.2 per cent a year ago. But about half the operating income lost to bad weather and the earthquake is expected to be recovered later in the year.

Operating income from solid-waste services grew to $17.9m from $13.4m, while margins improved to 10.2 per cent from 7.6 per cent. Hazardous waste earnings dipped, however, to $8.8m from $11m, with margins narrowing to 7 per cent from 9.6 per cent.

The fall was due mainly to the continuing absence of any contribution from the big hazardous waste landfill at Pinewood, South Carolina. Earnings for the first half were $55m, or 20 cents a share, down from $77m, or 28 cents, on sales of $1.07bn, up from $981.9m.

Finnish steel group to raise FM800m

By Christopher Brown-Humes in Stockholm

Rautaruukki, the Finnish steel group, yesterday announced plans to raise around FM800m ($144m) through a global share offering which will strengthen its balance sheet and reduce state ownership.

The issue is one of the largest in Finland's programme to widen ownership of state-owned companies, and will cut the state's holding in the group to 70 per cent from 81 per cent.

Proceeds will be used to reduce debt and will increase Rautaruukki's equity to assets ratio to about 30 per cent from 22.8 per cent at the end of 1993.

The group is offering 16m shares in two tranches. Around 65 per cent of the issue will be directed at Finnish and international institutions, and the remainder at the US market. Pricing will not be fixed until the end of this month, but will be based on market value of the shares, which was FM52 yesterday.

The new offer follows the group's success last year in raising FM320m through a share issue which cut state ownership to 81 per cent from 87 per cent. It has been timed to take advantage of the company's improving financial performance and an upturn in Scandinavian demand.

Rautaruukki is one of Europe's few profitable steelmakers after returning to the black with a FM144m surplus after financial items last year. It has benefited from the low value of the Finnish markka, increased efficiency and higher steel prices.

A further improvement in earnings has been forecast for this year, with turnover set to rise to FM8bn from FM7bn.

The group, Scandinavia's second-biggest steel producer, concentrates on flat steel products. It is the market leader in Finland and is western Europe's third-largest manufacturer of welded precision tubes and hollow sections.

Parliamentary authorisation allows the state to reduce its stake in Rautaruukki to 50.1 per cent, suggesting further share issues will be made.

CS First Boston is lead manager of the global offering and sole manager of the US tranche. Prospectus, Kansallis-Osake-Pankki and Merrill Lynch International are co-lead managers of the international tranche.

Corange decision delayed

By Roland Rudd in London

A decision over the future composition of the Corange board has been put off until May 20 after Mr Curt Engelhorn, the company's biggest shareholder, was unable to attend a special general meeting in Bermuda.

Corange, the Bermuda-based pharmaceutical group, is the parent company of Boehringer Mannheim, one of Germany's largest healthcare companies.

The board is attempting to eject Mr Engelhorn, who speaks for 42 per cent of the shares, as chairman of the supervisory board of Mannheim. Corange's board yesterday called on Mr Engelhorn to give his full support to its chief executive, Mr Max Link.

But Mr Engelhorn, who has called on Mr Link to resign, was backed by Mr Franz Kuehner, head of the German Workers' Council and a member of Mannheim's supervisory board.

Mr Kuehner warned that employees could no longer work for the new chief executive. He also turned down the opportunity of taking part in any mediation with Mr Link, although he said he was prepared to speak with Mr Karl Otto Pöhl, the temporary chairman of Corange.

Amec moves back to profit but warns of tough conditions ahead

By Andrew Taylor, Construction Correspondent

Amec, the UK construction, engineering and property group, returned to the black last year, making pre-tax profits of £21m ($30m). This compared with losses of £88.2m in 1992, and £13.1m in 1991 when figures were depressed by write-downs in property values and contract provisions.

The turnround, however, was less than expected and the company's shares fell 5p to 135p.

The figures were accompanied by a warning from Sir Alan Cockshaw, chairman, that UK construction markets were likely to remain difficult while too many companies were chasing too little business. "We cannot reasonably expect that the total volume of business available within the UK will increase significantly in the short to medium term."

He joined the heads of other large UK construction companies in calling for much-needed rationalisation within the industry. Sir Alan added that he did not believe this would occur.

Mr Martin Laing, chairman of John Laing, last month blamed banks and institutional shareholders for propping up "enfeebled contractors", adding to damaging overcapacity in the industry.

'We cannot expect that UK business will increase significantly in the short to medium term'

Amec said yesterday it was placing greater emphasis on pursuing overseas orders and establishing long-term relationships with customers to reduce its dependence on conventional competitive bidding, where margins were expected to be "extremely competitive in most areas of UK markets".

It added that similar market conditions prevailed in many parts of continental Europe, apart from Germany where demand for construction remained strong. The company had also made good progress in east Asia, particularly in Hong Kong.

Amec, as previously indicated, is increasing its final dividend from 1p to 1.5p making an unchanged total of 3p for the year. Earnings per share of 3.6p compared with a 44.5p loss after exceptionals.

Group turnover rose by 3 per cent to £2.18bn (£2.12bn) due mainly to increased hook-up work on North Sea oil and gas rigs. This work was expected to decline in the current year, said Sir Alan.

Mechanical and electrical engineering profits, which have held up better than general building and civil engineering earnings, rose from £18m to £22.8m on a virtually unchanged turnover of £1.36bn. General contracting profits, by comparison, fell from £22.7m to £9.6m.

Housebuilding in line with the improved results moved back to a small profit last year. In the UK, profits had fallen from £37.3m to £28m. Losses in the US had increased from £2.6m to £6.1m, but the figures masked a strong second-half improvement.

Lex, Page 14

Highland Distilleries improves 10%

By Tony Jackson

Highland Distilleries, the Scotch whisky producer, has bucked the trend of falling profits in the whisky industry with a 10 per cent increase in pre-tax profits to £23.4m ($34.3m) in the six months to end-February and a 10 per cent rise in the dividend.

Mr John Goodwin, chairman, said the rise in operating profit – up 2 per cent to £13.6m – was attributable to the performance of the Famous Grouse brand, which now provides some 45 per cent of group profit before tax.

In the UK, volume of Grouse was slightly down with the market, but market share was maintained. Market share in Scotland dipped from 24 per cent to 23 per cent, but rose from 11 per cent to 12 per cent in England and Wales, leaving the UK share unchanged at 14 per cent.

Highland said the UK price of Grouse was constant through the year, while competitors' prices had fallen. Mr Goodwin said "we could easily increase our volume through promotional support and lower prices, but that would do a lot of damage. Our premium price position is of vital importance to the brand."

Exports of Famous Grouse, now accounting for 40 per cent of the brand, were up 16 per cent by value. Mr Goodwin said that whereas three years ago exports accounted for only 20 per cent of the total and made no contribution to profit, exports had moved steadily into profit since then.

The combination of falling sales at home and rising sales abroad meant that overall volume had held steady over the past two years.

Sales of new whisky fillings were down 20 per cent. However, orders for calendar 1994 were up 9 per cent. Sales of mature malt whiskies were up on the previous year, and volume sales of the Highland Park malt brand were up 23 per cent.

Capacity utilisation at the group's distilleries was just over 40 per cent, a slight improvement on the year before. Mr Goodwin said it was difficult to see any change in the overall market in the course of 1994, though he expected a "fairly modest" turn-round in 1995.

Earnings per share were up 9 per cent at 12.2p. The interim dividend has been raised to 1.76p from 1.6p.

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Canadian group to set up company in Sri Lanka

By Bernard Simon in Toronto

Ondaatje Corp, a Canadian investment group with interests in Sri Lanka, has formed a new company which plans to list on the Colombo stock exchange and raise C$66m (US$47.8m) in equity, mostly from international institutions.

The new company, to be known as Forbes Ceylon, will take over a number of businesses from Forbes & Walker, a diversified Sri Lankan trading company which Ondaatje bought last October.

Forbes & Walker will retain its core tea, commodity and stock brokerage businesses.

Forbes Ceylon aims to raise C$50m from international investors, with the remainder of the equity issue to be underwritten in Sri Lanka.

Forbes Ceylon's prospectus is expected to be cleared within about a month, but more time will be needed to comply with Sri Lankan regulatory requirements.

All funds received will be held in escrow until Forbes Ceylon has been accepted for trading on the Colombo Stock Exchange.

Bertelsmann expects record year

By Michael Lindemann in Bonn

Bertelsmann, the world's second largest media group, yesterday said earnings for the six months ending December 31 were "well above budget".

In addition, it expected full-year results to be better than the 1993 record figures, despite losing an estimated DM160m through the collapse last week of the Vox private television channel.

Total foreign sales rose 6.2 per cent to DM9.3bn ($5.43bn) while earnings rose by "an even higher percentage", the company said. It did not give further details.

The family-owned company said sales were expected to grow 6 per cent to more than DM18bn for the full year, maintaining Bertelsmann's position as the second largest media group in the world, behind Time Warner of the US.

While Bertelsmann admitted the recession had not left it "totally untouched", it said it would ride out the collapse of Vox, which folded just 14 months after its launch when two shareholders, Süddeutsche Verlag and WestLB, pulled out.

Sales at Bertelsmann Buch, the newly created division which handles book clubs in German speaking countries and the international publishing arm, jumped 6 per cent to DM3.2bn.

The company's best performing division, Bertelsmann Music Group, which includes the Arista Record company, reported sales up by 10 per cent to DM2.7bn.

Turnover at Gruner+Jahr, the second largest division, which embraces newspapers and magazines and is more focused on the German market, rose 2 per cent to DM1.9bn.

The industry group, which takes in printing plants and paper production, reported turnover up 1.5 per cent to DM1.6bn while the film and television division reported turnover up 23 per cent at DM500m.

GE says earnings 'at high end of estimates'

By Richard Waters in New York

General Electric, the US conglomerate, said its earnings for the first quarter of the year were "at the high end of analysts' estimates", which ranged from $1.45 to $1.50 a share.

The announcement marked an attempt by the industrial giant to scotch rumours that its financial services businesses, which have been one of the main engines of profits growth in recent periods, had suffered from rising US interest rates.

In particular, market speculation centred on possible losses at Kidder Peabody, the group's Wall Street brokerage house. In a statement, GE said that first-quarter earnings at both Kidder and GE Capital Services, its financial services unit, would be "excellent". Dennis Dammerman, the group's senior vice president in charge of finance, also said that GE continues to expect record earnings for 1994 as a whole.

Kidder has had a patchy record in recent years and has been consistently less profitable than its main competitors, leading to frequent speculation that GE was looking to sell the business.

Last year operating profits jumped to $439m from $300m.

Baltica returns to the black with DKr25m

By Hilary Barnes in Copenhagen

Baltica, Denmark's largest combined accident and life assurance group, moved back into the black in 1993 with group net profit of DKr25m ($3.7m), compared with a 1992 loss of DKr445m. For the second consecutive year, no dividend was proposed.

Group premium income slipped to DKr8.33bn from DKr8.51bn, but general insurance premium income rose for the first time sine 1989 to DKr3.38bn from DKr3.36bn.

Assets increased to DKr112bn from DKr101.5bn, but equity capital was reduced to DKr5.67bn from DKr7.81bn at the end of 1992.

Losses on financial guarantee business cost Baltica DKr220m last year. It also lost DKr95m on a US subsidiary, but said the general insurance business had developed satisfactorily.

The group forecast an improvement in 1994 as a result of continued cost reductions and increases in premium rates.

Baltica Insurance is up for sale after the collapse last year of its former parent company, Baltica Holding, which has changed its name to Gefion, but yesterday's report made no mention of the sell-off.

Benetton plans bond and share issues

By Andrew Hill in Milan

Benetton, the Italian clothing group, is to seek shareholder approval for a bond issue and a placing of 19m new shares on foreign markets.

The group yesterday called an extraordinary meeting of shareholders for May 25 and 26 to vote on the share and bond issue, causing a drop in Benetton's share price on a day in which the Milan stock market rose.

Benetton will also ask shareholders if some or all of the new shares can be issued in the form of convertible bonds on foreign markets. The aim is to increase the geographical spread of the group's shareholders.

In February, Benetton raised L265bn ($162m) by selling 10m new shares in an issue aimed particularly at increasing the number of US shareholders in the group. Shareholders gave authorisation to issue 30m new shares three years ago.

The group said yesterday that the separate issue of bonds with warrants attached could raise up to L150bn on the Italian market, but it did not state how much would be raised by the share issue.

VA Tech lifts profit ahead of flotation

By Patrick Blum in Vienna

Voest-Alpine Technologie (VA Tech), Austria's largest engineering group, yesterday reported higher profits on slightly reduced turnover for 1993, and announced conditions for its privatisation next month.

Domestic and international investors will be offered 7.65m shares, or 51 per cent of VA Tech share capital, through a five-day flotation on the Vienna stock exchange starting on May 16. The share price will be announced on May 13, and the government expects to raise at least Sch5bn ($414.6m) from the sale.

According to an original valuation the sale was expected to raise Sch5bn-Sch6bn, but this was before last year's results were known, and developments since then should firm up the price, Mr Othmar Pühringer, VA Tech chairman, said.

Group profits from ordinary activities rose 6 per cent to Sch974m with positive results in all the group's main companies. Turnover fell to Sch22.5bn from Sch23.6bn in 1992, reflecting a different accounting method for large projects.

VA Tech was formed last November as part of a reorganisation of the bulk of Austria's state-owned industries following heavy losses at Austria Metall, the aluminium manufacturer.

OIAG, state holding company for the nationalised industries, will keep a 24 per cent direct stake in VA Tech, and hold indirectly 25 per cent through its VA Stahl steel subsidiary, which has a 25 per cent cross shareholding with VA Tech.

French, Brazilian groups allotted stakes in BPA

By Peter Wise in Lisbon

Portugal has chosen one Brazilian and three French companies as the foreign investors allotted shareholdings, totalling 7.5 per cent, in the privatisation of Banco Portugues do Atlantico (BPA), the country's largest retail bank.

Caisse National de Prevoyance and Mutuelles du Mans, the French insurance companies, will take stakes of 3 per cent and 1 per cent respectively. The Brazilian Banco Economico will buy 2.5 per cent and French bank Crédit Commercial de France 1 per cent.

The sale of the shareholdings will raise Es15.4bn ($89m) for the Portuguese state. Crédit Commercial de France had been contracted to advise the Portuguese government and negotiate the sale of stakes in BPA to foreign investors.

Foreign shareholders are limited to holding 3 per cent of BPA individually and 7.5 per cent collectively. The sale of stakes to foreign companies is the third phase of BPA's privatisation and will bring the total capital in private hands to 75 per cent.

The state is expected further to reduce its shareholding in BPA later this year by not exercising subscription rights in a planned capital increase to Es110bn from Es100bn. The bank is now controlled by a group of Portuguese investors who own 27 per cent.

Mutuelles du Mans owns 37.5 per cent of BPA Seguros, an insurer in the BPA group. Crédit Commercial and Banco Economico have co-operation agreements with the bank.

Swissair falls 48% to SFr59m

Swissair, Switzerland's shareholder-owned national airline, announced that its net group profit fell 48 per cent in 1993, to SFr59m ($40.9m) from SFr113m in 1992, AP-DJ reports from Zurich.

It also said it would pass its dividend on the 1993 results.

As previously reported, the company posted a first-half 1993 group net loss of SFr65m. Swissair indicated a month ago that full-year 1993 group results would be positive.

At the airline level, 1993 net profit fell 68 per cent to SFr6.7m from SFr20.8m in 1992.

The company blamed fare erosion and said it would ask shareholders to agree to omit a dividend. Last year, the airline paid a dividend of SFr10 a share, down from SFr20 the year before.

Group operating profit rose slightly last year to SFr216m from SFr214m in 1992.

INTERNATIONAL COMPANIES AND FINANCE

Sun Micro earns more as margins improve

By Louise Kehoe in San Francisco

Sun Microsystems, the US computer workstation manufacturer, has taken the unusual step of releasing its earnings and sales figures for the third fiscal quarter before issuing a full financial report.

The move follows a sharp drop in Sun's share price earlier in the week after the company warned that third-quarter revenues would be below analyst's expectations.

In early trading in New York yesterday Sun shares rose $2⅞ to $25⅛.

Sun's net income for the third quarter, ended March, was $57.5m, or 60 cents a share, compared with $51.7m, or 47 cents, in the same period last year. Revenues for the quarter were $1.19bn, up 6 per cent from $1.14bn in last year's third quarter.

Before last week's announcement, when the company said US sales growth had been held back by anticipation of new workstation products, analysts had been predicting earnings of around 64 cents a share. After the warning, projected earnings dropped sharply to around 52 cents a share.

However, in a statement issued after the market closed on Wednesday, Sun said sales of its low-end desktop workstations had been most severely affected by the product transition problem.

But with sales of higher performance workstations and servers representing a larger than usual proportion of Sun's sales in the third quarter, gross profit margins increased to 42.8 per cent of revenues, the highest level in the last six quarters, the company said.

The increase in gross margins runs against industry trends, but is expected to be temporary as sales of Sun's new low-cost workstations take off. The new products, introduced last week, will "shatter the workstation price model", Sun claims.

Sun introduced mid-range and high performance workstations and slashed the price of its low-end model to less than $3,000.

AirTouch aims for the overseas market

Pactel's wireless arm is well placed to operate as a separate unit, writes **Andrew Adonis**

US telecoms operators are hastily reassessing their prospects as the *old certainties of the industry* fade amid regulatory and technological upheaval.

The seven regional Bell companies face the most urgent challenge, with their local monopolies set to be abolished and their cellular mobile networks about to meet a fresh wave of competition from new licensees.

Arguably the most innovative reaction is that of Pacific Telesis, the San Francisco-based Bell company. Two years ago Pactel said it was going to spin-off its wireless business into an entirely separate company. That spin-off takes effect this week with the launch of AirTouch Communications as an independent company, comprising Pactel's cellular, paging and international operations.

Pactel's "wireline" activities – 15m line connections and associated businesses in California and Nevada – remain with Pacific Bell. They account for the bulk of the former group's turnover: in 1992 Pac-Bell generated $8.7bn of Pactel's $9.9bn revenues, with domestic cellular, paging and international activities contributing $873m between them.

But the wireless business is set to grow fast, and the spin-off marks a significant departure from the course adopted by the other Bell operators.

Mr Sam Ginn, AirTouch *chairman – who moves sideways from the same post in* Pactel – says regulation and valuation were the key considerations in the spin-off. Pactel believed it was undervalued because its cellular assets were "buried" by PacBell, and it was *concerned about access to capital* for the cellular business, given valuation and dividend requirements.

So far, Pactel/AirTouch has defied the sceptics. In an initial public offering last December AirTouch raised $1.5bn with ease, and Pactel's share price has risen by more than 35 per cent since the announcement of the spin-off.

That compares starkly with the fate of Bell Atlantic, whose share price fell nearly 20 per cent in the four months between the announcement and the collapse of its much-vaunted $21.4bn merger with Tele-Communications, the largest US cable television service company.

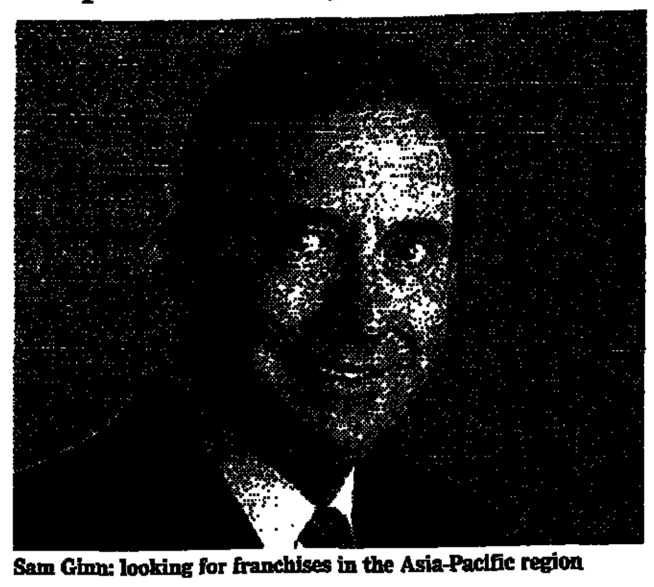
Why, then, are no other Bell companies following suit? "There is a great deal of inertia out there," claims Mr Ginn. "The others are reluctant to go through the trauma of the state regulatory process to reform themselves; and they are hooked by the term 'convergence' into thinking it would be a mistake to separate their wireless activities from the rest."

The move last year by AT&T, the US telecoms giant, to buy McCaw, the leading domestic wireless operator, convinced many Baby Bells the future lay in integrating, not separating their activities. "We'd be insane to fragment *ourselves just as AT&T is trying* to resurrect old Ma Bell," said one regional Bell chief executive earlier this year.

A few months on, the definition of sanity is more problematic. Hard on the heels of the Bell Atlantic escapade, Southwestern Bell – the Texas-based Bell operator – this week called off its planned $1.6bn investment in Cox Enterprises, a leading cable group. A meltdown of the Bell system appears ever less likely.

As for convergence between cellular and "wireline", the Federal Communications Commission, which regulates the telecoms industry from Washington, is unlikely to allow full integration between wireline and wireless activities for fear of cross-subsidies.

Divesting its cellular business leaves PacBell free to bid in its own right for California franchises for personal communications services, the new cellular networks soon to be auctioned by the FCC. AirTouch will bid elsewhere, aiming to put together a consortium providing nationwide coverage.



Sam Ginn: looking for franchises in the Asia-Pacific region

The overseas market is the focus of AirTouch's strategy. Although it is only one of the large Bell cellular operators within the US, overseas it is the largest. It inherits several lucrative international franchises – notably a 26 per cent stake in Mannesmann Mobilfunk, which operates the second cellular network in Germany with 570,000 subscribers, and a 10 per cent stake in the consortium which recently won the licence for Italy's second cellular network.

Across Europe and the Asia-Pacific region, the cellular mobile market is liberalising faster than the wireline market, where the vested interests of long-established national telecoms monopolies are far more powerful.

US cellular operators are strongly placed, particularly those such as AirTouch and BellSouth with successful records in partnerships with local companies.

Allowing for its share of consortia, AirTouch begins life with 1.1m US subscribers and 155,000 abroad. "My hope is that by the year 2000 our assets would be larger outside the US than inside," says Mr Ginn. That means an aggressive overseas strategy.

"In our early ventures we were motivated largely by political risk – we concentrated on politically stable countries, mostly western industrial countries. My current thinking is that we are now in a position to take more risk – moving into lesser developed countries."

So in addition to western Europe, Mr Ginn will be looking for franchises in the Asia-Pacific region's rapidly expanding economies.

The strategy is similar to that of Vodafone, the UK's largest operator and also a dedicated wireless operator, whose overseas forays in "safe" countries have led it to less stable areas, notably South Africa.

Will the AirTouch spin-off generate a dynamism of its own? "In personal terms, it's been a wrench, like the 1984 divestiture [of AT&T, which led to the creation of the Baby Bells]," muses Mr Ginn. "Twelve months after that revolution, it seemed like ancient history."

Tata eyes $240m Florida plant

By R.C. Murthy in Bombay and Stefan Wagstyl in New Delhi

Tata, India's largest industrial grouping, is considering buying control of a $240m fertiliser chemical plant in Florida in what would be the biggest overseas acquisition by an Indian company.

Tata Chemicals, a Tata company producing soda ash, caustic soda and other chemicals, is examining plans to pay $122.4m for a 51 per cent stake in the plant owned by Occidental Chemical Corporation, an arm of Occidental, the energy group. Occidental would retain the remaining 49 per cent.

The Florida plant produces phosphoric acid, the main ingredient for phosphatic fertilisers, which it makes from phosphate rock. India, which is short of phosphates, imports phosphoric acid. Its needs are expected to grow rapidly, so Tata believes it makes sense to invest overseas to secure a captive supply of phosphoric acid for a new fertiliser plant it is building in the northern state of Uttar Pradesh.

The planned acquisition was strongly promoted by Mr Darbari Seth, the 74-year-old former chairman of Tata Chemical, who left suddenly last month, saying he was retiring.

The scheme will require government approval because capital account transactions are tightly controlled by foreign exchange laws.

Former IBJ head joins Goldman Sachs Japan

By Emiko Terazono in Tokyo

Goldman Sachs, the US private investment bank, has appointed Mr Hideo Ishihara, a former deputy president of the Industrial Bank of Japan and president of IBJ Leasing, as the chairman of Goldman Sachs Japan, the Tokyo arm of the US investment house.

Mr Ishihara, who will join the company as a general partner, the equivalent of a board member of a listed company, said that the appointment reflected Goldman's wish to expand business with Japanese companies.

The move comes as other leading US houses are scaling down their Tokyo operations and focusing on other parts of south-east Asia.

Mr Ishihara, 63, is known for his connections in international finance. He became deputy president of IBJ in 1990.

US fund to invest $1bn in China's car parts industry

By Tony Walker in Beijing

A new investment fund backed by US institutions plans to invest up to $1bn over the next three years in China's automotive components industry to take advantage of a boom in the vehicle sector.

The Asian Strategic Investments Corporation (Asimco), through its China Automotive Components Group, plans an initial $160m investment in joint ventures with about a dozen local manufacturers.

Mr Jack Perkowski, chairman of Asimco, said the company would bring "experienced management and technology, as well as capital" to the components sector. Its aim is to become the largest components company in China.

Shareholders in Asimco include Pacific Alliance Group, a Hong Kong and China-based merchant bank, and Dean Witter Capital Corporation and TCW Capital Investment Corporation, both of the US.

Among Asimco's local partners will be the China National Automobile Industry Association (CNAIC), Norinco, China's largest integrated motor vehicle company, and the municipal government of Changchun, China's main vehicle manufacturing centre.

Mr Perkowski said his organisation would take majority stakes in joint ventures and develop these into the dominant players in their respective segments of the market.

China's automotive components sector is highly fragmented with some 4,000 manufacturers, many of them tiny operations. The CNAIC estimates that $20bn is required for the components industry to keep pace with developments in vehicle manufacturing. China's spare parts market is the fourth largest in the world, according to some estimates.

The Chinese authorities will soon unveil a new car industry strategy which is expected to freeze the number of vehicle manufacturers, but it is likely that encouragement will be given to the components sector.

Japanese truck makers sign supply agreement

By Michiyo Nakamoto in Tokyo

Three Japanese truck makers have agreed to supply each other with trucks, a significant step in the restructuring of Japan's automobile industry.

Nissan, Nissan Diesel and Isuzu will provide each other with products on an original equipment manufacturing (OEM) basis beginning next summer, the companies said.

Under the agreement, Nissan will supply Isuzu with 6,000 vans and 3,000 one-tonne trucks annually, which Isuzu will market under its own brands. Isuzu, in its first deal to supply a competitor with trucks on an OEM basis, will supply Nissan and Nissan Diesel with 14,000 units of its two- to three-tonne truck, which the Nissan companies will sell under different brands.

The deal aims to reduce development costs in order to meet rising competition in the Japanese truck market, Isuzu said. The truck makers are particularly concerned that tougher vehicle exhaust rules will add substantially to development costs.

Sharing development costs has become an important theme for many Japanese carmakers. Competition in the domestic truck market is expected to remain intense as demand is not likely to rise significantly in the near future.

All three companies have come under severe pressure in Japan's slumping automobile market. In the year to March 31, Isuzu saw total vehicle sales fall nearly 20 per cent, Nissan Diesel 13 per cent and Nissan 10 per cent.

Chinese companies seek NYSE listings

By Simon Holberton and Louise Lucas in Hong Kong

Four of the largest state-owned Chinese companies selected for listing outside China are aiming for the New York Stock Exchange.

Two power supply companies and two regional airlines, expected to raise between $250m and $500m each, have signed up with US investment banks, according to industry executives.

In January the Chinese government published a list of 22 large and medium-sized state companies which it had approved for a foreign listing. Most were, and still are, expected to list their shares on the Hong Kong stock exchange.

Chinese corporate regulators are understood to have sanctioned the US listings. They are, however, waiting to see how these progress before allowing companies to list on other foreign exchanges.

So far 13 of the companies are believed to have issued mandates to merchant banks, with seven going to US investment banks. UK and Japanese houses have captured only one each, while the Bank of China's merchant bank in Hong Kong has received two lead mandates.

The US listings are expected to be among the first of the 22 to come to the market, towards the end of this year, with the power companies at the head of the list.

Lehman Brothers has secured the mandate for Huaneng International, a power generation and supply company incorporated in Beijing, while Credit Suisse First Boston will bring Shandong Huaneng Electricity, a Beijing incorporated operator of seven power companies, to the New York market.

Goldman Sachs has won the mandate for China Southern Airlines and Morgan Stanley the mandate for China Eastern Airways.

Some bankers query the value of a foreign listing for mainland Chinese companies, claiming that the natural market for these stocks is Hong Kong.

Keeping the customer satisfied 24 hours a day

Citibank of the US has started a mini-revolution in Japanese retail banking, writes **Paul Abrahams**

The sight of someone withdrawing money from a "hole-in-the-wall" cash machine at three o'clock in the morning in downtown Tokyo illustrates a revolution in retail banking.

In most countries the sight might be commonplace, but in Japan there are only 60 machines available 24 hours a day.

All 60 belong to Citibank, and the US bank's experience in Japanese retail banking provides a telling example of how foreign companies can succeed in the Japan.

In five years, the number of Citibank's retail customers in Japan has risen from 30,000 to 200,000. Its retail operations in Japan, where it has been the only foreign group to set up a branch network, should move into profit next year, according to Mr Masamoto Yashiro, an executive vice-president.

Citibank had six branches in the early 1980s, but decided in 1988 to expand rapidly. "Japan represents an opportunity, even for foreign banks. If you can succeed, the market is so large – the country is the world's second-largest economy – that you can really flourish," says Mr Yashiro.

Citibank believed it saw a gap in the market. Mr Yashiro explains: "Contrary to the conventional view, Japanese services are historically of low quality. This is a producer society. Consumers are not well catered for. Banking customers have been viewed as a source of cheap funds and their needs have not been met."

The barriers faced by Citibank when it entered retail banking were not, for the most part, generated by Japan's bureaucracy. "The ministry of finance seems not to object to foreign banks," says Mr Yashiro. "By Japanese standards – and I emphasise by Japanese standards – we've been treated well. But it's a society that believes in stability rather than opportunity. Invariably, if you ask for permission to do something new, you're told it's not a good idea." The bank is still unable to offer investment advice.

One of the biggest non-bureaucratic difficulties has been setting up a branch network. The 11 leading commercial banks – known as city banks – have huge branch networks; if Citibank was to even start competing, it had to find good sites at reasonable prices, an almost impossible task during the bubble economy of the late 1980s.

All change: Citibank offers 24-hour cash machines in competition with Japanese banks' restricted services

"This problem has eased," he says. "Nevertheless, even though real estate prices are down, you often still have to provide up to seven years' rent in advance – and you don't receive any interest on it." The bank now has 21 branches, mostly in Tokyo.

Another problem has been gaining access to the automatic teller machine (ATM) networks owned by the other banks. Mr Yashiro explains: "We can't really compete with the Japanese banks by providing plain vanilla services. We have to be a niche player. We offer the basic services, and then provide added value. This includes rapid international fund transfers, multi-currency accounts – our customers can hold accounts in 11 different currencies – and automatic bill paying."

One of Citibank's main points of differentiation is its 24-hour cash-point machines. The company has 40 on-site ATMs, with about 20 off-site. But that is paltry compared with the Bancs network, owned by the city banks, which has 27,000 machines around the country.

"We were not allowed to belong to Bancs because we were foreign," says Mr Yashiro. "We are only affiliate members, which means we have to pay a slightly higher customer fee. I openly say this is discrimination – not by the government, but by the banks.

"On the other hand, it's a lot better than it might have been. When we first approached them, we were asked to pay for half the development costs of the entire system." Citibank started negotiations six months ago with the first-tier regional banks for access to their system, but its customers are still unable to use them.

In spite of the problems and occasional long waits by customers for some services, Citibank's added-value formula appears to be working. The bank's turnover rose 35 per cent last year, and most foreign bankers in Japan hold accounts with Citibank, a fact which pleases Mr Yashiro.

However, profitability still eludes Citibank's Japanese retail banking operations, despite a cost-reduction programme. Staffing levels have been kept flat over the last two years, even though new branches are being opened.

In spite of Citibank's relative success, Mr Yashiro expects few others to follow. "The main obstacle for foreign banks remains the cost of setting up the infrastructure," he concludes.

INTERNATIONAL CAPITAL MARKETS

Treasuries hold steady in face of contrasting data

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds strayed little from their opening levels yesterday morning in a session which held steady in the face of conflicting signals on the economy.

By midday, the benchmark 30-year government bond was ⅜ better at 88¾, with the yield slipping to 7.224 per cent. On the short end, the two-year note was unchanged at 99½ to yield 5.377 per cent.

GOVERNMENT BONDS

Comments by the chairman of the Federal Reserve, just before the afternoon session began, triggered a brief flurry of selling which quickly evaporated. Mr Alan Greenspan, in San Francisco, said he thought the country's sense of economic pessimism was misguided.

In general, the market enjoyed a peaceful morning. Early on, the weekly reading on the state of the labour market – which showed a rise of 6,000 in initial claims for state unemployment benefit – provided a slight lift to sentiment, as it suggested the economy was not growing at an excessive rate.

But the favourable news was soon balanced out by March sales data from the leading US retailers. The figures showed shoppers returned as soon as February's deep freeze lifted, a worrying development for bond investors, who fear the increased demand will lead to higher prices.

The middle segment of the yield curve benefited a little from a firming trend in the mortgage-backed and municipal bonds.

■ French government bonds ended the day lower, weighed down by the lacklustre response to the Bank of France's FFr19.8bn auction of OATs and the weaker franc.

"Auctions are not desperately easy at the moment so the Bank of France did as well as one could have expected in these difficult times," said Mr Kit Juckes, economist at SG Warburg Securities.

He added that the uncertain political situation in France could force a widening of the yield differential between 10-year French and German government bonds. The differential now stands at about 20 basis points, he said. A further widening would lessen the appeal of French bonds to international investors.

Dealers said the muted demand at yesterday's auction was reflected in the higher yields, noting that the average accepted yield on the 5.5 per cent OATs due 2004 rose by six basis points to 6.47 per cent. The yield on the 6 per cent OAT due 2025 rose to 7.05 per cent from 6.91 per cent. They added that the bid-to-cover ratios were much lower than at the previous auction.

One dealer noted that the June contract of the notional bond future on the Matif had held up relatively well during the auction but had weakened on the back of lower US treasuries. The contract traded between a high of 123.62 and a low of 123.40 during the day. In the late afternoon, it traded around 123.54, marginally higher on the day.

■ Italian government bonds rose more than one point yesterday afternoon on news that Italy's federalist Northern League had resumed contact with Mr Silvio Berlusconi, who had broken off talks with his electoral allies on Tuesday.

The June contract of the Italian government bond future on Liffe went as high as 113.48 on the news, well up on the day's low of 112.43. In the late afternoon, the contract traded around 113.40, up 1.11 point on the day.

■ UK gilts recovered from an intraday low which followed the release of stronger-than-expected UK industrial output data for February. Some dealers said the data appeared to lower the chances of an early rate cut.

Apart from the data, there were no other fresh influences on the market and gilts traded in a narrow one-point range. The June contract of the long gilt future on Liffe traded between 108⅞ and 107⅝ during the day. In the late afternoon the contract was quoted at 108⅜, down ⅛ on the day.

■ German bunds were trapped in a narrow range yesterday as the market waited for Mr Greenspan to make his speech. Before reports of his speech hit the trading screens, there had been worries that he would raise the discount rate in order to underpin the recent rise in the Fed funds rate.

The June contract of the bund future on Liffe was sandwiched between 97.30 and 97.00 during the day and traded at 97.15 in the late afternoon, up 0.10 point from Wednesday's close.

Prague to raise $250m in first offering since 1920s

By Antonia Sharpe

The City of Prague is preparing to launch its first bond offering since the 1920s to help finance the modernisation of its underground transport system, built during Communist rule.

Prague, the only east European borrower apart from the Czech Republic to have obtained an investment-grade rating (it is rated triple-B with a positive outlook by Standard & Poor's), intends to raise $350m in the international bond market next week.

Nomura, the Japanese securities house, is arranging the issue of five-year Eurobonds which are expected to be priced to yield around 120 basis points over US treasuries.

Mr Jan Koukal, the mayor of Prague, said the city wanted to provide a cheap and efficient service for its 1.2m inhabitants to motivate them to use public transport. "We have many problems with technology because we were forced to use Russian metro trains," he said at a presentation to investors in London.

More than one-third of Prague's expenditure of Kcs16.9bn ($577m) in 1993 was spent on public transport, the largest single area of the city's expenditure. Mr Koukal said it was likely that the city would have to continue to heavily subsidise the system.

But he added that this drain on resources should be offset by Prague's strong local economy, its growing revenue base, its good control over expenditures and its significant property holdings.

● Moody's yesterday placed the Baa3 long-term foreign currency debt rating of the Czech Republic under review for a possible upgrade. About $835m of debt is affected. The review is motivated by the favourable macroeconomic trends in the Czech Republic, and the country's progress to a market economy.

Moody's said the shifts in the economy in recent years had not generated significant *imbalances, noting that the fiscal budget and current account* of the balance of payments had a slight surplus in 1993. It added that although the economy declined by 1.5 per cent last year and inflation reached 20 per cent, these trends reflected the ongoing structural change.

Finland's $1.5bn FRN claimed to be too aggressively priced

By Sara Webb

The Republic of Finland's newly-launched $1.5bn floating rate issue broke syndicate yesterday morning and was the main focus of attention in the international bond market, with rival syndicates claiming the deal had been mispriced and poorly received by the market.

INTERNATIONAL BONDS

Floating-rate notes have been very much the flavour of the first quarter of 1994, providing borrowers with a more cost-effective means of raising funds at a time of considerable bond markets uncertainty .

But some syndicate officials claim there is now too much floating-rate paper "sloshing around". Borrowers launched the equivalent of $34.1bn in FRNs in the first quarter, predominantly in dollars, according to figures compiled by Euromoney, and syndicates say a considerable proportion of the paper is still unplaced.

Goldman Sachs, lead manager *for the Finland $1.5bn* deal, said it had bought back over $400m of bonds from other syndicates after the deal broke yesterday morning.

The bonds have a coupon of three-month Libid, and at the issue price of 99.68 yield five basis points below three-month Libor. Goldman Sachs said the bonds had been bought back at 99.58 or above, trading within fees. But other syndicates, which claimed the deal was too aggressively priced, said the bonds traded outside fees initially before recovering.

"The pricing was wrong and the deal was launched into an overloaded market – Goldman is just buying league table position," said one specialist.

New issues launched yesterday came in an assortment of currencies, with a large convertible bond issue from *Thermo Electron and a couple* of Eurosterling deals, from Tate & Lyle International Finance and Northern Rock Building Society.

Thermo Electron, the US technology company, launched a $300m convertible bond issue, increasing the size by $100m. The seven-year bonds have a 5 per cent coupon and a conversion premium of 14.9 per cent. Lehman Brothers, the bookrunner, said about half the issue was sold in the US, and the rest in Europe, with strong demand out of Switzerland, the UK and France.

Tate & Lyle, the sugar and sweeteners group, launched a £100m, five-year deal with an 8 per cent coupon. The bonds were priced to yield 80 basis points over the five-year gilt: while Tate & Lyle does not have a formal credit rating, one of the joint lead managers said the yield spread reflected the company's "perceived rating of around the A1 or Aa3 area" as well as taking into account the "volatile market conditions". The paper is expected to be sold mainly to domestic institutions.

Northern Rock Building Society raised £100m in the sterling sector with a four-year FRN. Sterling specialists said the deal went well, and the price edged up from 99.81 at launch to 99.82 by late afternoon.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Thermo Electron Corp.(a)§	300	5.00#	100.00	Apr.2001	2.50	-	Lehman Brothers Intl.
YEN							
Honda International Finance(b)	10bn	3.10	100.46R	Jul.1996	0.25R	-	Merrill Lynch International
STERLING							
Tate & Lyle Intl. Finance(b)	100	8.00	99.83R	Oct.1999	0.325R	+80 (6%-99)	Hoare Govett/ UBS
Northern Rock B/S(c)‡	100	(d)	99.81R	Apr.1998	0.15R	-	Kleinwort/ SG Warburg
CANADIAN DOLLARS							
Bayerische Landesbank	100	8.50	99.249R	May.2004	0.325R	+35 (6½%-04)	ScotiaMcLeod
Norwest Financial Canada(e)	75	8.50	98.675R	May.1999	0.275R	+79 (7¼%-99)	Wood Gundy
ITALIAN LIRE							
WestLB Europe	150bn	8.50	101.50	May.1999	1.875	-	Banca di Roma
SWISS FRANCS							
Winterthur Finance(f)φ	300	2.25	100.00	Apr.1999	-	-	UBS
ABB International Finance	150	4.50	102.375	May.2000	-	-	Credit Suisse
Aegon*	100	4.50	102.00	May.1998	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. φWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion price: $47¼. Callable from 15/4/97 at 102% falling 1%pa to par. b) Short 1st coupon. c) Callable on any coupon date from Apr.96 at par. d) 3-mth Libor +⅛%. e) Long 1st coupon. f) Denom: SFr5000 +55 wrts. Exercise period: 1/7/94 - 28/2/96. 10 wrts entitle holder to 1 registered share at SFr720.

Vietnam may ease rules

The State Bank of Vietnam might allow Vietnamese commercial banks to issue bonds to foreign investors later this year, a senior official said yesterday, AP-DJ reports from Bangkok.

Nguyen Cong Hai, director of the bank's foreign department, said the plan was being studied as a way to attract much-needed capital from offshore lenders.

"We are doing research on the type of mobilisation possible by issuing bonds by commercial banks in Vietnam," Mr Hai said. "This year we might allow some big commercial banks in Vietnam to issue bonds for that purpose."

The state bank has said it is close to launching a trial tranche of 91-day Treasury bills aimed at retail investors in Vietnam.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	109.4800	–0.020	8.03	7.30	7.10
Belgium		7.250	04/04	100.9400	+0.010	7.11	7.22	7.00
Canada *		6.500	06/04	89.2000	+0.300	8.08	7.75	7.21
Denmark		7.000	12/04	101.0200	–0.250	6.86	6.90	6.62
France	*BTAN*	*8.000*	*05/98*	*107.1900*	*–0.160*	*5.78*	*5.76*	*5.70*
	OAT	5.500	04/04	92.7200	–0.200	6.51	6.59	6.26
Germany		6.000	09/03	98.4800	–0.030	6.21	6.28	6.12
Italy		8.500	01/04	97.3800	+0.220	8.91†	9.16	9.13
Japan	No 119	4.800	06/99	106.3800	–0.330	3.38	3.43	3.70
	No 157	4.500	06/03	103.4310	–0.420	3.99	4.01	4.02
Netherlands		5.750	01/04	95.7000	+0.600	6.35	6.51	6.11
Spain		10.500	10/03	109.5500	–	8.95	9.03	8.61
UK Gilts		6.000	08/99	95-00	–3/32	7.15	7.31	6.40
		6.750	11/04	94-11	–8/32	7.54	7.93	7.08
		9.000	10/08	111-00	–7/32	7.73	7.97	7.24
US Treasury *		5.875	02/04	92-21	+22/32	6.91	6.67	6.34
		6.250	08/23	87-25	+19/32	7.26	7.00	6.82
ECU (French Govt)		6.000	04/04	93.5500	–0.300	6.91	6.98	6.61

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.60	Two year	5.39
Prime rate	6¼	Two month	3.59	Three year	5.83
Broker loan rate	5	Three month	3.62	Five year	6.41
Fed.funds	3⅝	Six month	4.08	10-year	6.90
Fed.funds at intervention	3⅝	One year	4.66	30-year	7.23

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.90	123.46	-0.44	123.98	123.34	232,677	128,913
Sep	123.14	122.72	-0.42	123.16	122.68	2,708	12,760
Dec	122.44	122.02	-0.42	122.44	122.44	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
123	-	1.66	1.89	0.60	1.21	2.04
124	0.69	1.06	1.40	-	1.56	-
125	0.32	0.66	-	-	-	-
126	-	0.39	0.73	2.60	-	3.87
127	-	0.17	-	-	3.67	-

Est. vol. total, Calls 14,739 Puts 17,220 . Previous day's open int., Calls 349,916 Puts 231,635.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.20	97.05	-	97.30	97.00	102134	200907
Sep	96.84	96.74	0.03	96.91	96.76	1260	5591

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9700	0.95	1.29	0.90	1.55
9750	0.68	1.07	1.14	1.83
9800	0.49	0.85	1.44	2.11

Est. vol. total, Calls 10108 Puts 10370. Previous day's open int., Calls 261008 Puts 243560

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.11	101.08	0.01	101.11	101.07	73	2327

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.45	113.20	0.91	113.50	112.43	38936	89989
Sep	112.90	112.70	0.86	112.55	112.30	65	229

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11300	2.01	2.95	1.81	3.26
11350	1.75	2.73	2.05	3.53
11400	1.52	2.52	2.32	3.82

Est. vol. total, Calls 1970 Puts 1950. Previous day's open int., Calls 79845 Puts 76899

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.83	99.59	+0.06	99.88	99.43	42,769	94,104
Sep	-	99.98	-	-	-	100	100

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108-09	107-30	-0-06	108-21	107-20	76409	145997
Sep	-	107-01	-0-06	-	-	0	109

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
107	2-23	2-56	1-27	2-54
108	1-52	2-26	1-56	3-24
109	1-23	2-00	2-27	3-62

Est. vol. total, Calls 3305 Puts 5672. Previous day's open int., Calls 92105 Puts 73014

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	90.20	89.90	-0.30	90.20	89.78	2,603	6,784

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	105-00	105-04	+0-04	105-14	104-30	507,710	420,743
Sep	104-01	104-05	+0-03	104-18	104-01	2,887	42,997
Dec	103-19	103-15	+0-06	103-23	103-15	1117	30,827

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.35	-	-	111.35	111.11	2045	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Apr 7	Day's change %	Wed Apr 6	Accrued interest	xd adj. ytd		Low coupon yield Apr 7	Apr 6	Yr. ago	Medium coupon yield Apr 7	Apr 6	Yr. ago	High coupon yield Apr 7	Apr 6	Yr. ago
1 Up to 5 years (24)	125.00	–0.04	125.05	2.10	2.68	5 yrs	7.16	7.13	6.69	7.40	7.38	6.95	7.54	7.49	7.16
2 5-15 years (23)	148.33	–0.29	148.75	1.88	4.03	15 yrs	7.85	7.59	7.71	7.74	7.70	8.14	8.02	7.97	8.39
3 Over 15 years (9)	167.55	–0.36	168.16	1.75	3.53	20 yrs	7.74	7.67	7.95	7.74	7.70	8.28	7.94	7.89	8.46
4 Irredeemables (6)	193.06	–1.04	195.09	3.67	1.47	Irred.†	7.88	7.80	8.35						
5 All stocks (62)	144.91	–0.23	145.24	1.97	3.48										

Index-linked							Inflation 5% Apr 7	Apr 6	Yr. ago	Inflation 10% Apr 7	Apr 6	Yr. ago
6 Up to 5 years (2)	184.76	–0.12	184.97	0.06	2.53	Up to 5 yrs	3.28	3.23	2.27	2.37	2.32	1.43
7 Over 5 years (11)	180.09	–0.39	180.79	0.85	1.29	Over 5 yrs	3.42	3.39	3.42	3.24	3.21	3.24
8 All stocks (13)	179.68	–0.36	180.33	0.76	1.41							

Debentures and Loans						5 year yield Apr 7	Apr 6	Yr. ago	15 year yield Apr 7	Apr 6	Yr. ago	25 year yield Apr 7	Apr 6	Yr. ago
9 Debs & Loans (73)	136.07	–0.34	136.53	2.18	3.27	8.79	8.65	8.61	8.83	8.76	9.23	8.85	8.82	9.45

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 7	Apr 6	Apr 5	Mar 31	Mar 30	Yr ago	High*	Low*
Govt. Secs. (UK)	97.20	97.60	96.82	97.56	96.64	97.20	107.04	96.30
Fixed interest	117.27	116.31	116.34	115.96	115.14	112.95	133.87	115.14

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 6	Apr 5	Mar 31	Mar 30	Mar 29
Gilt Edged bargains	100.7	102.0	103.0	132.0	120.8
5-day average	112.0	111.8	114.3	124.2	117.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on April 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92⅞	93⅛	+½	7.61
AlbertaProvince 9⅜ 95	600	105¼	105⅝	-⅛	5.70
Austria 8½ 00	400	106¾	107⅛	+¼	7.03
Bank of Tokyo 8⅜ 96	100	104	104¼	-¼	6.17
Belgium 9⅝ 98	250	110⅛	110½		6.79
BFCE 7¼ 97	150	104	104½	+⅛	6.20
British Gas 0 21	1500	10¾	11⅛	-⅛	8.42
Canada 9 96	1000	105¾	106	+⅛	5.69
Cheung Kong Fin 5½ 98	500	91½	92¼	+¼	7.81
China 6½ 04	1000	89⅝	89⅞	+1⅝	8.20
Council Europe 8 98	100	104	104⅝	-⅛	6.08
Credit Foncier 9½ 99	300	110¼	110⅝	+⅛	6.94
Denmark 5¾ 98	1000	97½	97¾	+¼	6.49
ECSC 8¼ 96	193	104⅝	105¼		6.28
EEC 8¼ 96	100	104½	104⅞	-⅛	5.99
EIB 7¾ 96	250	103½	103⅞		6.02
EIB 9¼ 97	1000	108¼	108⅝	-¼	6.56
Elec de France 9 98	200	107¾	108¼	-⅛	6.69
Eurofima 9¼ 96	100	105⅞	106¼	-⅛	5.93
Ex-Im Bank Japan 8 02	500	103⅝	104	+⅛	7.39
Export Dev Corp 9½ 98	150	109⅝	110	+⅛	6.81
Finland 7⅞ 97	200	103⅝	104¼	-⅛	6.41
Finnish Export 9⅛ 95	200	105¼	105⅝	-⅛	5.70
Ford Motor Credit 6¼ 98	1500	98⅛	98½	+⅛	6.92
Gen Elec Capital 9⅜ 96	300	106⅝	107⅛		6.01
GMAC 9⅛ 96	300	104⅞	105⅛		6.36
Ind Bk Japan Fin 7⅞ 97	200	103½	104⅛	+⅛	6.56
Inter Amer Dev 7⅝ 98	200	103¾	103⅞	+⅛	6.06
Italy 6⅞ 23	3500	84⅞	85⅛	+½	8.42
Japan Dev Bk 8⅛ 01	500	105⅞	106¼	+⅛	7.25
[illegible]					
United Kingdom 7⅛ 97	5500	104⅜	[illegible]		
Volkswagen Intl Fin 7 03	1000	100⅞	[illegible]		
World Bank 0 15	2000	26⅞	[illegible]		
World Bank 5⅞ 03	3000	96⅜	[illegible]		
World Bank 8⅛ 00	1250	113⅝	[illegible]		
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	108½	[illegible]		
Austria 4½ 00	1000	101⅞	[illegible]		
Council Europe 4¾ 98	250	102½	[illegible]		
Denmark 4¼ 99	1000	100⅛	[illegible]		
EIB 6¼ 04	300	111½	[illegible]		
Elec de France 7¼ 06	100	113	[illegible]		
Finland 7¼ 99	300	111	[illegible]		
Hyundai Motor Fin 8½ 97	100	108	[illegible]		
Iceland 7⅞ 00	100	112	[illegible]		
Kobe 6⅜ 01	240	108¼	[illegible]		
Ontario 6¼ 03	400	108½	[illegible]		
Quebec Hydro 5 08	100	98	[illegible]		
SNCF 7 04	450	115¼	[illegible]		
World Bank 5 03	150	101	[illegible]		
World Bank 7 01	600	112½	[illegible]		
YEN STRAIGHTS					
Belgium 5 99	75000	104⅝	[illegible]		
EIB 6⅝ 00	100000	112¼	[illegible]		
Finland 6¾ 96	50000	106¾	[illegible]		
Inter Amer Dev 7¼ 00	30000	116⅜	[illegible]		
Italy 3½ 01	300000	94¼	[illegible]		
Japan Dev Bk 5 99	100000	105⅛	[illegible]		
Japan Dev Bk 6½ 01	120000	113½	[illegible]		
[illegible]					

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Company confident year will see start of building industry recovery

Hewden-Stuart rises to £19m

By Andrew Bolger

Hewden-Stuart, the UK's biggest independent plant hire company, said yesterday it was still confident that 1994 would see the start of a national recovery in the building and construction industry.

The Glasgow-based group reported a 60 per cent increase in pre-tax profits from £12m to £19.1m for the year to January 31, on sales up by 21 per cent to £200m (£165m).

The group said the improvement reported at the interim stage had continued, and profits in the second half were up 90 per cent on the same period last time.

Sir Matthew Goodwin, chairman, said the board had decided last autumn that this year would see an upturn which would benefit the group in due course and had accordingly authorised a major capital investment programme.

He said: "Our very strong cash position, coupled with the enormous cashflow which is now running at over £1m per week, has enabled the directors to take a long-term view of capital investment."

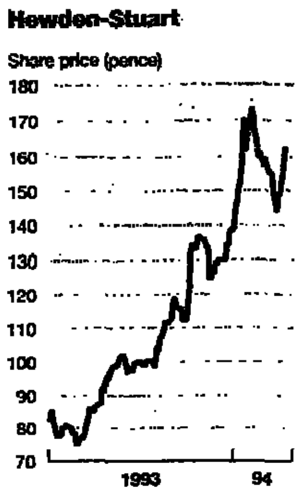
Capital expenditure increased from £24m to £54m, all funded out of cash balances which remained in surplus at the year-end, and the group said spending on new plant was likely to continue at a similar level this year.

Last July Hewden paid £11m for the non-operated plant hire assets of BET Group. The group said these assets had been integrated with existing subsidiaries, but had contributed an estimated profit of £400,000 on sales of about £8m.

Upturn in demand was clear in the south and south-east of the UK, but less marked in Scotland and the north-east of England, which had been less affected by the recession and so had smaller scope for recovery.

Mr Sandy Findlay, chief executive, said higher utilisation levels meant the group was beginning to be able to ask clients to pay higher rates for modern equipment.

Earnings per share rose by 85 per cent to 6.77p (3.67p). A final dividend of 2.15p makes a total for the year of 2.9p (2.7p).



● **COMMENT**

Analysts were full of praise for these results, and Hewden's shares rose 9p to 161p. Even the tower crane division, which fell off a cliff with the end of the last building boom, has been returned to modest profit. *Elsewhere, the acquisition from BET and the decision to increase capital expenditure seems perfectly timed to benefit from an upturn in demand.* The shares have outperformed the market by more than 50 per cent over the last 12 months, and are currently trading on a prospective multiple of over 19. That substantial premium looks justified, given Hewden's huge operational *gearing, and the quality of management singles it out as one of the safest of the recovery plays.*

Clark pays former directors £0.57m

By Peggy Hollinger

C&J Clark, the family owned shoe company which last year rejected an invited bid from Berisford International, paid £567,000 in compensation to departing directors, including the former chairman.

The largest payment was £427,000 to Mr Patrick Farmer, who joined the board as an executive director following the £15m buy-out, backed by Clark, in 1984 of the Farmer retailing chain.

Mr Walter Dickson, the chairman who sparked a shareholder rebellion by proposing to sell Clark to resolve the disputes which had wracked the company for years, received £140,000. This represented the balance of his £286,000 annual salary which was outstanding upon his departure in July.

Mr Roger Pedder, who replaced Mr Dickson in November, said Clark would this year review steps towards flotation, the compromise which helped to thwart the Berisford bid.

He also announced a substantial increase in pre-tax profits from £121,000 to £20.8m for the year to January 31. Sales were 5 per cent higher at £655.3m.

Mr Pedder was pleased with the performance because it was "better than the outlook on which the Berisford offer was based, justifying the decision by shareholders to retain their investment".

Wardle decline to £3m lops 27p off share price

By David Blackwell

Adverse currency movements and lower interest rates knocked more than £1m from interim profits at Wardle Storeys, the cash-rich plastics and safety equipment company.

The shares fell 27p to 435p yesterday as the group announced a 23 per cent fall in pre-tax profits, from £4.04m to £3.1m, for the six months to end-February. Turnover was flat at £38.2m.

Mr Brian Taylor, chief executive, said he was confident for the outlook in the second half and the following year.

Operating profits at the technical products division, which makes specialised plastic sheet and coated fabrics, fell from £1.21m to £1.09m on turnover just ahead at £26.7m (£26.3m).

The figures concealed a strong performance by the division, Mr Taylor said. Over the last four years the group had invested some £14m in new machinery, resulting in significant cost savings in both manpower and raw material usage. But the benefits had been more than offset by a £535,000 adverse movement in the lira against sterling.

The division makes about 20 per cent of its sales in Italy, where main customers include Fiat and Zanussi.

Operating profits at the safety and survival equipment division fell from £1.53m to £1.26m on turnover of £11.6m (£11.9m). Mr Taylor described the market for inflatable life rafts and other marine safety equipment as tough.

The £345,000 profits downturn to £548,000 in the parachute business had been expected, but significant orders, including one from the French defence ministry, had been won.

Net interest receivable fell from £1.3m to £757,000. The group ended the period with net cash of £26m (£23m).

Earnings per share were down from 10.9p to 8.3p. The interim dividend is unchanged at 5p.

The group is expecting an exceptional profit of £1.5m in the second half from the sale of land.

Sharp gain at Sentry Farming

Shares in Sentry Farming Group jumped 9p to 90p after the Suffolk-based company reported pre-tax profits more than doubled from £334,000 to £786,000 in 1993.

Turnover grew 22 per cent to £6.22m.

USM-quoted Sentry attributed the result to an improved level of farming efficiency and an increase in acres farmed, together with the benefit of currency movements.

Earnings per share advanced from 6.9p to 11.1p, while the dividend is stepped up to 2.25p (1.5p).

Wolseley £57m Austrian buy

By David Blackwell

Wolseley, the expanding heating and plumbing distributor, has set its sights on Germany and the old Austro-Hungarian empire.

Yesterday, the group announced the acquisition for £56.9m of the OAG Group, the biggest distributor of plumbing supplies in Austria.

Mr Jeremy Lancaster, chairman of Wolseley, said OAG was the company's first German speaking acquisition, which he hoped would lead in time to further growth in Germany, Hungary and the Czech Republic.

OAG, founded in 1871, has 40 branches in Austria. It extended its operations to eastern Europe in 1990 and 1991. It has five branches in Germany, five in Hungary and four in the Czech Republic. Operating profits last year were £9m on sales of £187m. Net assets were £18.2m.

The seller is Wienerberger Baustoffindustrie of Vienna, a leading Austrian quoted company.

The deal should be completed in about eight weeks, depending on regulatory approvals. It could be terminated if the approvals are not given before the end of the year.

Wolseley is financing the deal with the £55m it raised last August through a placing of 8.7m shares, and is making up the balance through its own resources.

The company has been looking for an opportunity to expand distribution on mainland Europe since acquiring Brossette of France in February 1992.

Alexandra Workwear lifts dividend by 47%

By Peggy Hollinger

Alexandra Workwear, the uniform supplier, yesterday increased its dividend by 47 per cent on the back of a substantial improvement in annual pre-tax profits from £1.7m to £4.6m.

Mr Julian Budd, finance director, said the increase marked a "restoration of the dividend", which was cut in 1992 when the company fell into losses.

The pay-out rose from 3.8p to 5.6p, including a 75 per cent increase in the final to 2.1p. For the first time in two years, the dividend was covered, with earnings rising from 3.5p to 9.5p.

The improvement in profits was achieved on a 3 per cent increase in sales to £58.5m for the year to January 29.

Mr Budd said gross margins had improved by two points to 44 per cent, due to a shift towards higher quality business. "In previous years there was a need to get . . . volume at very low prices." Mr Budd said. "We are now seeing those strategic sales dropping out."

Profits also benefited from a sharp reduction in interest payments from £1.7m to £800,000. Alexandra had reduced net debt from 46 per cent of shareholders' funds to 19 per cent last year.

Owen & Robinson recovers

By Maggie Urry

Owen & Robinson, the jewellery and footwear retailer which underwent a capital reconstruction last year, returned to profit in 1993-94 – with help from one-off gains.

In the year to January 31, pre-tax profits of £111,000 compared with losses of £2.53m. However, as forewarned last year, no dividend is recommended.

The group's shares, which had risen recently on rumours that Mr Philip Green, former chairman of Amber Day, planned to buy a 15.8 per cent stake, added 4p to 30p.

Turnover fell 15 per cent to £21.6m, although within that the sales through the Foothold chain rose 5 per cent.

Operating profits were £617,000 (£886,000 losses) but this included one-off gains such as a £235,000 write back of provisions no longer needed, the receipt of an insurance claim worth £394,000 and a £258,000 refund from a pension scheme.

Interest charges fell from £920,000 to £367,000 after last summer's reconstruction and *share placing. Earnings per* share were 0.48p (7.6p losses).

Neotronics shares fall on warning

Shares in Neotronics Technology, the maker of gas analysis equipment, fell 32p to 84p yesterday following a warning from the company that profits for the six months to March would be "significantly" lower than the previous year.

It blamed disappointing sales of safety products in North America which was due mainly to "product availability problems in the face of changing market requirements caused by recent legislation".

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexandra	fin	3.5	July 1	2	5.6	3.8
Amec	fin	1.5	July 1	1	3	3
Brammer	fin	8.5†	July 1	8.5	13	13
Goldsmiths	fin	1	Aug 29	0.3	1	0.3
Gowrings	fin	1	June 3	1	2	2
Hewden-Stuart	fin	2.15†	July 14	1.97*	2.9	2.7*
Highland Dist	int	1.76	June 6	1.6	-	6.6
Invesco	fin	2.5	July 1	2	3.5	3
Sentry Farming §	fin	2.25	June 1	1.5	2.25	1.5
United Friendly	fin	11	May 23	9.8	16.5	14.5
Wardle Storeys	int	5	July 1	5	-	17.25
Wilkes (James)	fin	nil	-	0.25	1.5	3.5

Dividends shown pence per share net. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock.

O'Reilly to retain Independent stake

By Raymond Snoddy

Mr Tony O'Reilly, the Irish publisher and businessman, has decided to keep his large minority state in Newspaper Publishing, owner of the The Independent and the Independent on Sunday.

Mr O'Reilly, chairman of Independent Newspapers of Ireland, paid £23m for a 29.9 per cent stake in the loss-making newspaper group.

The Irish company could have made a £1m profit today if it had decided to accept the offer for the shares made by the consortium which controls The Independent. The consortium includes Mirror Group Newspapers, El País of Spain and La Repubblica of Italy.

Mr Liam Healy, chief executive of the Irish group, said yesterday he believed that The Independent could be turned around and the investment would be a good one for his shareholders.

"We see considerable scope for both cost and revenue improvements which should transform Newspaper Publishing into a profitable company," said Mr Healy, who added that his group intended to be a long term and supportive shareholder.

If, as seems likely, Newspaper Publishing will have to raise an additional £20m in some form, the Irish may have to put up another £7m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.04.94: Pool purchase price £/MWh	Final Prices for Trading on 11.03.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.50	15.53	15.53
0100	16.88	15.57	15.57
0130	16.90	15.56	15.56
0200	20.60	15.57	15.57
0230	21.14	15.55	15.55
0300	23.09	15.53	15.53
0330	23.09	15.52	15.52
0400	23.09	15.50	15.50
0430	21.14	10.90	10.90
0500	17.00	10.89	10.89
0530	16.75	10.92	10.92
0600	16.75	10.92	10.92
0630	16.80	10.92	10.92
0700	29.11	15.58	15.58
0730	29.38	15.64	15.64
0800	31.94	16.51	19.20
0830	35.40	16.52	19.21
0900	38.32	16.53	19.22
0930	38.47	16.53	19.23
1000	38.58	16.54	19.23
1030	40.09	16.54	19.23
1100	39.96	16.53	19.23
1130	40.18	16.54	19.24
1200	40.34	16.56	19.25
1230	40.16	16.54	19.24
1300	38.21	16.53	19.22
1330	34.84	16.52	19.21
1400	33.02	16.52	19.20
1430	31.33	16.51	19.20
1500	31.29	16.51	19.20
1530	31.24	15.68	15.68
1600	31.21	15.65	15.65
1630	31.24	15.70	15.70
1700	31.30	16.52	19.20
1730	47.20	16.52	19.20
1800	47.13	16.52	19.21
1830	31.11	16.55	19.24
1900	31.09	16.55	19.25
1930	29.30	16.54	19.24
2000	29.30	16.52	19.21
2030	48.34	16.51	19.20
2100	48.34	16.51	19.20
2130	48.34	15.56	16.55
2200	29.30	15.52	15.52
2230	20.92	15.50	15.50
2300	20.92	10.92	10.92
2330	16.75	10.92	10.92
2400	11.00	10.89	10.89

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.88/MWh becomes 1.588p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the base of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Cassell to be valued at £15m in May float

By Andrew Bolger

Cassell, the publisher which recently bought the Victor Gollancz fiction imprint, will come to the market next month through a placing which will give the group a market capitalisation of about £15m.

Cassell is best known as a publisher of dictionaries and reference books and it was this imprint which was sold in 1986 by CBS, the US media group, to a management buy-in led by Mr Philip Sturrock, an experienced publisher backed by venture capitalists.

Mr Sturrock has lifted Cassell's sales from £3m in 1986 to £20m last year, mainly by five acquisitions.

These include Ward Lock, best known for its Mrs Beeton cookery books; Arms and Armour Press, a specialist military imprint; and New Orchard, which supplies bargain bookshops.

Philip Sturrock: raised sales from £3m in 1986 to £20m last year

This buying spree has left Cassell heavily geared and the group wants to float to finance further expansion by acquisition. It said the businesses acquired were largely loss-making and under-exploited. Their integration had involved substantial cost-savings.

Mr Sturrock said there were still plenty of potential acquisition targets and the "next stage" was to build turnover to at least £100m. The group, which employs 175 people, sells about 35 per cent of its books outside the UK – mainly in the US.

Unipart climbs to record £24.9m

By John Griffiths

Unipart, the motor components and accessories manufacturer and distributor, made record profits for the second successive year in 1993.

Pre-tax profits of £24.9m for the year to December 31 were 26 per cent higher than the previous £19.8m, on turnover up 8 per cent at £714.1m (£661.4m).

The increase was achieved against a background of slow recovery by the UK motor industry from its steepest recession on record and a 15 per cent slump in vehicle demand in continental Europe.

The performance was claimed by Mr John Neill, chief executive, to vindicate "the long-term view" which he insists managers have taken of the business since it was privatised from Rover via a management-led buy-out in 1987.

The company is 42 per cent owned by management and employees, 38 per cent by institutional investors and 20 per cent by Rover.

Mr Neill said he did not expect Unipart's own business to be affected in the short term by BMW's takeover of Rover and Honda's initially hostile reaction to it.

Rover and Honda account for the main portion of Unipart's components manufacturing business, but Honda has indicated that existing contracts with Rover will be honoured and in the meantime, is continuing to expand its own car-making operations at Swindon, Wiltshire.

Mr Neill would not comment on longer-term implications of the takeover for Unipart.

However, it is likely to be a net beneficiary of the expansion of production at Rover at which BMW has already hinted.

At least one other leading German manufacturer is understood to have made approaches about possible component supplies.

Mr Neill said he hoped for a further rise in profitability in 1994.

Gowrings recovers to £251,000

Sustained growth from its leisure and food services operations offset a downturn on the motor side and enabled Gowrings to turn round from a restated pre-tax loss of £82,000 to a £251,000 profit in 1993.

Turnover edged ahead to £54m (£52m), while profit included exceptional credits of £157,000 (£42,000) – mainly a surplus on disposal of fixed assets.

Earnings per share were 2.29p (1.4p losses) and the final dividend is an unchanged 1p for a same-again total of 2p.

Motor division profits fell to £61,000 (£406,000) as a result of lower manufacturer's discount and incentives and £99,000 of redundancy costs.

The leisure side, however, lifted profits from £293,000 to £522,000, with good results from the BurgerKing restaurants and an improvement at Park Homes.

The company said trading for the last quarter of 1993 was markedly better. This trend had been maintained in the first quarter of this year, with both the motor and leisure divisions showing an improvement over last year.

Capel hits out at analysts over recovery prospects

By David Wighton

Analysts are underestimating the scope for profits recovery from UK industrial companies over the next two years, according to research from James Capel.

The stockbroker's market strategy team argues that sector analysts, including its own, are being too cautious about prospects for sales growth and margins and concludes that cyclical recovery stocks are still cheap.

The report, entitled A Profits Pathology, says there is "substantial scope for an earnings surprise in UK industrial stocks". It points to experience in the US, where corporate earnings have been on average 3 per cent better than expected over the past year.

Aggregate projections from Capel's sector analysts forecast earnings per share growth of 19 per cent in 1994 and 13 per cent in 1995. But the report forecasts 25 per cent and 20 per cent growth. That reduces the prospective p/e for industrial stocks from 16.5 to 15.5.

While the most rapid growth will be seen in 1994-95, Capel predicts "it may well be another 3-4 years before this cycle peaks". Over the next five years the UK should be able to sustain average profit growth of 11.5 per cent, taking GDP profits' share back to levels last seen in the early 1960s.

The bullish forecasts are based partly on the prediction of low growth in input costs, such as raw materials, utility prices and labour, compared with manufacturers' prices, together with continued productivity improvements, particularly in services.

Capel also believes that companies have become more "operationally geared" over the last decade, judging by the sharp rise in capital/labour ratios. This should mean that changes in turnover will have a greater impact on profits.

The aggregate forecasts of Capel's sector analysts are based on annual sales growth of 6 per cent over the next two years, in line with the nominal growth of the UK economy. But, with the world economy recovering, the strategy team argues that this could be too modest, given that half the sales of UK industrial companies are overseas.

The report suggests that the caution of sector analysts may stem from the fact that they misjudged the impact of recession on UK industrial profits.

More generally, forecasters find it difficult to gauge the timing and scope of turning points in the profits cycle.

"Most forecasters failed to predict the earnings downturn in 1991 and 1992, much as they had failed to predict the extent of the upturn in 1983 and 1984."

Regal Hotel back in the black

Regal Hotel Group, the acquisitive operator of 3-star provincial hotels, returned to profit in the year to January 2, aided by the deconsolidation of its Bramhope offshoot.

Pre-tax profits of £573,000 included an exceptional credit of £1.24m related to Bramhope. This resulted from the subsidiary being controlled by the Royal Bank of Scotland and representing assets that were part of Regal prior to its reconstruction in December 1992.

Turnover in the period under review amounted to £2.68m.

The year to December 27 1992 suffered a £500,000 loss (restated under FRS 3) on sales of £2.95m.

The group acquired three hotels last year and a further three have been purchased – one conditionally – so far this year. This means that its portfolio now comprises eight hotels, of which six are owned and two managed.

The company, traded on the USM, said that the operating loss from continuing operations of £488,000 – excluding exceptional redundancy costs of £49,000 – was in line with its expectations. It was attributed to the head office overhead being in place before the build up of the hotel portfolio.

It intends to accelerate its acquisition programme this year, while maintaining its focus on the commercially-driven provincial 3-star hotel market and a modest level of gearing.

Regal noted that a steady improvement had been experienced in trading conditions since the last quarter of 1993.

Consistent sales growth lifts Goldsmiths to £1.55m

Goldsmiths Group, the retail jeweller which runs 111 branches throughout the UK, returned pre-tax profits of £1.55m for the 11 months to January 29.

That compared with just £48,000 for the 12 months to February 27 1993 and was achieved on the back of a rise in turnover from £42.9m to £44.6m. On a comparable basis, the sales rise was 11 per cent.

Mr Jurek Piasecki, chairman, said trading was "consistently good" across all product groups and through the country as a whole. Exceptional growth was experienced in the south of England.

He added that significant increases in sales were recorded each month, culminating with an "excellent" Christmas period, when sales on a like-for-like basis were 13 per cent up on the previous year.

The upward trend had continued into the current year with sales in February and March some 15 per cent ahead of 1993's figures.

Interest charges were cut to £1.26m (£1.86m). Earnings per share emerged at 5.11p (0.12p) and the single dividend is stepped up from 0.3p to 1p.

By the year-end, borrowings had been reduced by £2.5m with gearing standing at 74 per cent (108 per cent).

Ugland Intl makes £1.5m acquisition

Ugland International has acquired Gerrards Rederi, the holding company of a ship owning and management group, for $2.25m (£1.51m) cash. Mr Andreas Ugland and family, have a 66.67 per cent interest in Gerrards.

COMPANY NEWS: UK

Invesco shows sharp increase to £33.4m

By Bethan Hutton

Invesco, the international fund management group, reported sharply improved profits after a year of worldwide restructuring and negative publicity in the UK.

Pre-tax profits for the year to end-December were £33.4m, against £12.6m last time, and were struck after exceptional costs of £2m – down from £16.6m in 1992. Income for the year rose by £36.4m to £172m.

Profitability was concentrated in the US division. The North American region made a profit of £41.7m, while the Pacific region incurred a £574,000 loss. The European division, including the UK, made an initial profit of £4m, but exceptional items turned that into a loss of £10.6m.

The exceptional losses resulted from an £11.5m out of court settlement of a legal dispute over the Mirror Group pension scheme and a £3m write-off of computer software costs.

They were offset by several positive items, including gains from the sale of investments in Oak Industries and Second Consolidated Trust, which contributed £3.7m and £2.6m respectively.

Mr Charles Brady, chairman, described 1993 as a "confused" year, and said that while 1994 would be better, the group would not reach its full potential until 1995 or beyond.

Tony Andrews

Charles Brady flanked by Norman Riddell, chief executive officer (left), and Hubert Harris, chief finance officer

Administrative reorganisation and withdrawal from areas other than the core business of fund management will continue this year, and more job losses are likely in the UK. A consolidation of unit trusts is also planned.

Funds under management at the year-end were £45bn, up from £40bn at the end of 1992.

The proportion of funds from US sources grew to 80 per cent, from 78 per cent, while European funds declined from 19 per cent to 16 per cent, with the balance from the Pacific region.

Earnings per share emerged at 10p (2.5p), and the total dividend is raised 0.5p to 3.5p via a final of 2.5p.

Metals foray benefits Middlesex

By Peggy Hollinger

Middlesex Holdings yesterday announced a return to the black at the operating level in its first results since entering the metals trading business in the former Soviet Union.

The former Ferromet, which is chaired by Mr Phil Edmunds, the former Middlesex and England cricketer, achieved operating profits of £158,000 in 1993, against a loss of £1.1m, on sharply lower sales of £2.2m (£7.24m).

The absence of an exceptional £8.99m gain from disposals enjoyed in 1992 resulted in a sharp fall in pre-tax profits from £7.85m to £155,000.

Earnings per share fell from 2.71p to 0.03p and, as previously, there is no dividend.

The operating profit was due to a £358,000 trading contribution from metal trading businesses formerly owned by Mr Masoud Alikhani, the Iranian-born businessman.

These companies were injected into Middlesex as part of a capital restructuring and £754,725 rights issue last November. Mr Alikhani was appointed chief executive at the same time.

Following the restructuring, 29.9 per cent of Middlesex is held by Mr Alikhani, his family, and a group of seven Russian investors.

Mr Alikhani says he intends to exploit the lack of financial infrastructure in the former Soviet Union which leaves many local companies unable to transact business in neighbouring republics.

Middlesex currently buys raw materials to supply to smelters, which then pay the company in the finished product. The group is also involved in oil trading.

Middlesex intends to expand in the CIS and has recently appointed Mr Alexander Vladislavev, vice-president of Russia's equivalent of the CBI, as an executive director.

Mr Alikhani has warranted to bring trading profits of $1m (£600,000) into Ferromet.

This had already been achieved since the businesses were injected, he said.

Brammer edges ahead to £8.3m

By David Blackwell

Brammer, the industrial services group, reported a marginal increase in pre-tax profits from £8.22m to £8.28m in the year to end-December.

The latest figure was struck after a £900,000 loss on the disposal in November of Master Pumps Equipment, its US subsidiary, and net interest payable of £1.2m, compared with a nil charge in 1992.

At the operating level profits were ahead from £8.25m to £10.4m. Total turnover rose from £123m to £141m, mainly reflecting the first full year of Roulement Service, the French bearings distributor acquired in 1992.

"The underlying businesses showed a very strong operating performance," said Mr Robert Ffoulkes-Jones, chief executive. The first quarter this year had shown a substantial improvement over first-quarter 1993. "Should the trend continue we will have a strong 1994."

Brammer's business is 81 per cent distribution of bearings and power transmission products, in which it is market leader in the UK and France, and 19 per cent rental of test equipment.

BSL, the power transmission business in the UK, increased its market share, lifting sales by 5.4 per cent and profits by almost 15 per cent. Roulement sales were down 3.3 per cent, but the French market overall was 15 per cent down, Mr Ffoulkes-Jones said. He wants to push the French market share ahead to a similar level to that of BSL – more than 35 per cent.

Group operating profits in the UK rose from £7.92m to £10.5m on turnover of £97.4m (£91.4m). Continental European activities incurred an operating loss of £233,000 on turnover of £36.4m, compared with profits of £172,000 on turnover of £34m.

The rental division, which specialises in electronic testing equipment, doubled operating profits to £1.66m on turnover of £24.6m (£22.7m). The group had overcome its former dependence on defence for 40 per cent of its business by switching to the data communications and telecommunications sector. Defence now accounts for just 5 per cent of turnover.

Net borrowings fell from £8.1m to £2.1m, helped by a £5.6m placing in September. Gearing at the year end was 6 per cent (26 per cent).

Earnings were unchanged at 13.3p, and a same-again final dividend of 8.5p is proposed, maintaining the total at 13p.

● COMMENT

Brammer has survived the recession with an unbroken run of 13p dividends for the past six years. The yield of more than 5 per cent is itself a good enough reason for holding on to the shares. Profits of £11m this year put the group on a prospective multiple of almost 19. The main business of transmission distribution is strong, and at last the rentals business is beginning to make some money. Worth a look if you believe there is a growth story in sight.

Development Securities buys portfolio of London properties

By Simon Davies

Development Securities, the revamped Clayform Properties headed by Mr Martin Landau, the property entrepreneur, has acquired a £92m portfolio of primarily office properties.

The company, which will assume £64m of debt with the portfolio, is raising £19.2m through a placement to partly fund the £29m net purchase price.

Since Mr Landau joined the board of Development Securities last June, the company has issued £80m of new shares and built up net assets of £83m following this latest transaction.

Mr Robert Ware, joint managing director, said: "We're now at a size where we can grow organically." He pointed out that the company would not issue more equity for at least a year.

The latest purchase comprises 17 properties, mainly in the Greater London area. They currently produce net rental income of £7.3m, representing a yield of 7.9 per cent.

Development Securities will pay £1m in cash and issue 10m shares at 30p. The remaining £22m will be paid via a loan note or cash. It paid £3m for an initial option on the properties, which were purchased from private companies controlled by Mr RJ Livingstone.

The company will raise £18.3m net of expenses from the placement of 64.66m new shares, priced at 30p. There is a clawback for existing shareholders on a 3-for-10 basis.

UniChem returns to the acquisition trail

UniChem, the pharmaceutical wholesaler and chemist retailer, is paying £9.2m for Hall Forster, a wholesaler in Newcastle upon Tyne, and Galen, a chain of 10 pharmacies in the Midlands, writes David Wighton.

Hall Forster made a pre-tax profit of £626,000 before directors' emoluments of £194,000 in the year to March 31 1993, on gross sales of £34.7m.

It is the second regional wholesaler acquired by UniChem in the past six months. In December, it paid £8.9m for Bradford Chemists' Alliance.

The 10 Galen pharmacies will increase the number of outlets in UniChem's Moss chain to 292.

The group is also acquiring Eldon Laboratories, a small manufacturer of bespoke medicines.

COMMODITIES AND AGRICULTURE

London coffee futures surge to fresh highs

By Deborah Hargreaves

Coffee prices reached a new high point yesterday as July futures on the London Commodity Exchange soared $53 a tonne to close at $1,440 a tonne. Even some London traders were surprised at the strength of the market, which has seen prices rise by nearly $100 a tonne in the past week.

Fund buying continued to push up the price yesterday, but trade and roaster buyers were also active in the market. Rumours that the Ivory Coast was about to halt coffee and cocoa exports unless shippers paid a back-dated export tax also helped to fuel the market.

A report on levels of coffee stocks by E.D.&F. Man, the London trading house, helped to underpin prices. The report concluded that stocks of robusta coffee held by consumers had dropped to uncomfortably low levels.

The broker estimated that stocks of green coffee in consumers' hands had fallen to 16.9m bags at the end of February, 3.3m bags below from the level a year earlier.

The fall in stocks underlines the success of the producers' retention scheme whereby exporters withhold up to 20 per cent of supplies from the export market. This was set up in October last year with the aim of eroding the consumer stocks that were hanging over the market.

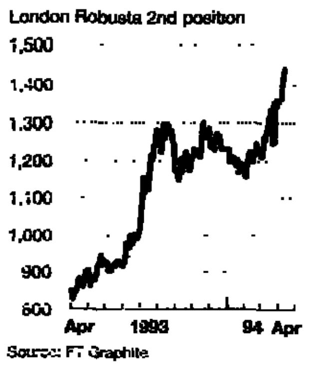
But crop problems in producing countries have probably done more to fuel fears of coffee shortages. In Indonesia heavy rains have delayed shipments and boosted prices, but the overall size of the crop is not expected to be affected and production is forecast to be up slightly on last year at 7m bags.

However, the Ivory Coast crop is believed to be much lower than last year at between 2m and 2.5m bags, compared with 3m bags.

Soaring prices in the coffee market have attracted speculative interest, which traders believe could switch quickly to another market once prices begin to fall, exacerbating any downturn. "At some point the bubble will burst and it could become quite ugly," one trader commented.

Coffee

London Robusta 2nd position



Source: FT Graphite

Russia seen pricing itself out of western aluminium market

By Kenneth Gooding, Mining Correspondent

Aluminium production costs in the Commonwealth of Independent States moved above those in the western world last month, according to the Anthony Bird Associates consultancy organisation.

It predicts: "In time, the Russians will price themselves out of western markets as a result of this cost explosion".

CIS costs reached just over 50 cents a pound in March compared with an average in the west of 49.7 cents a pound, Bird estimates in its latest annual review of the aluminium industry.

In 1990 CIS costs were only 3 per cent of the western world average, by mid-1993 were still only 60 per cent of the levels ruling in the west, "but hyperinflation in the CIS has proceeded at a faster rate than the rouble has been falling," says Bird.

It suggests that, ironically, short-term pressure on the Russian producers has been reduced by the agreement recently reached by some of the major aluminium-producing countries to cut production. This has pushed up prices just in time to help the Russian industry.

Nevertheless, Bird says that by 1995 the cost problem will be starting to restrain CIS supply to a greater extent than is foreseen in the international agreement – under the terms of which the Russians have undertaken to reduce output by an annual 500,000 tonnes. "We expect further falls in net exports from the former socialist countries in 1996 and 1997."

Bird forecasts that, assuming exchange rates remain stable, the London Metal Exchange three-month price for aluminium will average 57.5 cents a pound this year and rise steadily to an average of 96.5 cents (in March, 1994, money) in the year 2004. This is because it predicts shortages of smelting capacity but says producers will want to see long-term prices well above 70 cents a pound before they will be willing to invest.

Aluminium Annual Review: £1,015 from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

China aims to revive gold mining

By Our Beijing Staff

China plans to spend Yn1.66bn (US$190m) this year in an effort to revive its struggling gold mines, which have been starved of new investment because of the low state purchase price.

"The money will help improve working conditions of the gold mines and upgrade technology," said Mr Jiao Zhi, head of China's Gold Bureau.

He was speaking after a national gold conference in Beijing, at which broadening reforms of the gold-mining sector, including providing new regulations to attract foreign investment, were discussed.

China's Gold Bureau, under the Ministry of Metallurgical Industries, has presented a draft law to State Council, China's cabinet, aimed at facilitating foreign involvement.

The People's Bank of China, the country's central bank, which has a monopoly of gold purchasing saw a 32 per cent decline in its gold acquisitions last year in spite of a 7.5 per cent increase in production nationally.

A low official purchase price drove many hard-pressed mine managers who faced the prospect of being unable to pay workers and sustain production to sell on the black market.

State purchases of gold rose in latter part of 1993 following an increase in the official purchase price to a figure that represented a discount of about 10 per cent to the international price.

● Venezuela has between $100bn and $140bn worth of gold reserves in the southern state of Guyana, according to Mr Francisco Layrisse, a cabinet minister and president of the state-owned Corporacion Venezolano de Guayana.

"We have regions where we have 16 ounces per tonne, while South Africa is today extracting between two and three ounces," he told the daily Economia Hoy.

Sugar-beet to displace grain in Portugal

By Peter Wise in Lisbon

Portugal is to make an important shift away from cereals to beet sugar cultivation following government approval for a Es15bn ($87.7m) Italian-managed beet sugar refinery that will supply more than 20 per cent of the country's sugar consumption.

The project involves replacing wheat and maize cultivation in central and southern Portugal with 10,000 hectares of sugar-beet to supply the refinery with 600,000 tonnes a year, enough to produce about 60,000 tonnes of sugar. Portugal at present has only 500ha of experimental beet sugar crops.

"Beet sugar has already proved more profitable than cereals for Portugal and the difference will be even greater when our European Union subsidiaries for cereals are withdrawn in 2001," said Mr Diamantino Diogo, director of Fenacam, an investor in the refinery.

Portugal consumes 310,000 tonnes of sugar a year, produced by two refineries from imported sugar-cane. The country will now fulfil a 60,000-tonne beet sugar production quota awarded when it joined the EU in 1986. Talks are under way in Brussels on whether this beet sugar quota will be added to or subtracted from Portugal's cane sugar production quota.

Societa Fondiaria Industriale Romagnola (SFIR), an Italian sugar company, owns 60 per cent of Dai-Sociedade de Investimento Agro-Industrial, the company investing in the new refinery. RAR of Portugal and Tate and Lyle of the UK, the two existing refinery companies in Portugal, each owns 5 per cent. Fenacam and the Portuguese state holding company IPE own 15 per cent each.

The EU and the Portuguese government will together provide Es9.8bn in grants for the project in Coruche, central Portugal. SFIR will invest Es3.6bn and manage the plant. The refinery, due to begin production in June, 1995, will employ 224 people directly and create another 1,500 jobs for farm workers and truck drivers.

Cuba plans sales to China as harvest hopes fade

By Canute James in Kingston, Jamaica

Cuba is to sell an unspecified quantity of sugar to China this year, amid indications that the yield from the shortened 1994 harvest will be less than the government had previously expected.

The sale is part of a wider trade agreement between the two countries, under which Cuba will purchase Chinese food and medicine, according to Prensa Latina, the official Cuban news agency.

Diplomats in Havana, the island's capital, said this week that the Cuban government was now estimating sugar production this year at "no more than 5m tonnes", following last year's 4.2m tonnes.

They said government officials had spoken at the start of the harvest of a likely yield of 1m tonnes more than last year.

The current harvest has been shortened by the government, which wants it concluded at the end of April to allow more time for planting additional acreage for future harvests, as part of efforts to rehabilitate the industry.

● Zambia's industry is to receive technical and industrial assistance from Cuba, under an agreement in principle between both countries. Cuba will help Zambia with sugar production and the development of a range of bi-products, according to Zambia's foreign minister who visited Cuba last week.

US company to develop Peruvian gas field

By Sally Bowen in Lima

The Maple Resources Corporation of Texas has signed a contract with PeruPetro, the Peruvian state oil company, to develop the Aguaytia natural gas field in the eastern jungle. It is the first operations contract signed under Peru's new hydrocarbon law, passed last August, and will involve Maple in an estimated investment of between US$120m and US$150m.

In the first phase, Maple Resources will develop two nearby oil fields that now produce about 800 barrels of crude a day.

Maple is also expected to take over running the Pucallpa refinery.

Development of the gas fields will follow. Aguaytia has an estimated 300,000m cubic feet of recoverable gas. Construction of a processing plant, gas pipelines and local storage facilities for liquefied petroleum gas will be required.

In a third stage, Aguaytia's gas will be used to generate electrical energy for the Pucallpa region from a 140MW plant.

EU banana deal rejected

By Deborah Hargreaves

Six Latin American banana exporting countries have rejected a recent deal between four other producers and the European Union, which ended a long-running dispute over access to the European market.

At a meeting in Ecuador, commerce and foreign ministers of Ecuador, Guatemala, Honduras, Panama, Mexico and the Dominican Republic rejected last week's agreement with the European Commission to increase the Latin American quota to 2.1m tonnes *this year from 2m tonnes.*

The commission had agreed with Costa Rica, Colombia, Nicaragua and Venezuela to increase access after they made a complaint to the General Agreement on Tariffs and Trade. *Guatemala was also* a signatory to the complaint, which was upheld by a Gatt panel. But it accounts for only 1.5 per cent of EU imports and the Commission decided to proceed in spite of its opposition.

MARKET REPORT

Aluminium finds support

ALUMINIUM prices rose to *session highs in after hours* "kerb" trading at the London Metal Exchange, erasing earlier losses and positioning themselves for a further rally, dealers said.

Overnight investment fund selling left the market looking vulnerable at $1,290 a tonne for three months delivery. But "there was good support at the lows," said one trader, "and this close [$1,300.50 a tonne, down $11.25] takes us back into the $1,300-$1,320 band again, *with a good chance of taking* out those highs."

COPPER also recovered from its morning lows, but the three months price still closed $17 down at $1,876 a tonne, the lowest for five weeks.

LEAD prices rallied smartly from four-month lows, with the market's fundamentals not really justifying sharp declines, while selling below $450 lacked follow-through.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1275-6	1300-1
Previous	1285.5-6.0	1311.5-12.0
High/low		1310/1289
AM Official	1271.5-2.0	1296.5-7.0
Kerb close		1310-11
Open int.	270,582	
Total daily turnover	83,931	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1265-70	1270-80
Previous	1270-80	1280-90
High/low	1265	1273/1270
AM Official	1265-70	1270-5
Kerb close		1275-85
Open int	4,354	
Total daily turnover	668	

■ LEAD ($ per tonne)

Close	430.5-4.5	447-8
Previous	441-2	454.5-5.0
High/low		451/440
AM Official	426-7	439-40
Kerb close		449-9.5
Open int.	33,804	
Total daily turnover	11,493	

■ NICKEL ($ per tonne)

Close	5455-65	5500-505
Previous	5500-10	5565-70
High/low		5560/5440
AM Official	5435-7	5495-500
Kerb close		5535-40
Open int.	46,950	
Total daily turnover	12,402	

■ TIN ($ per tonne)

Close	5385-95	5440-50
Previous	5415-25	5470-80
High/low	5335	5420/5425
AM Official	5335-8	5430-40
Kerb close		5470-5
Open int	19,134	
Total daily turnover	5,130	

■ ZINC, special high grade ($ per tonne)

Close	934-5	954.5-55.0
Previous	934.5-5.5	955-6
High/low		956/944
AM Official	929-30	949-50
Kerb close		953.5-4.0
Open int.	105,452	
Total daily turnover	19,512	

■ COPPER, grade A ($ per tonne)

Close	1852-9	1873-7
Previous	1873-7	1893-4
High/low	1859/1855	1885/1873
AM Official	1855.5-6.0	1874-5
Kerb close		1882-3
Open int.	234,434	
Total daily turnover	56,520	

■ LME AM Official £/$ rate: 1.4686

LME Closing £/$ rate: 1.4665

Spot:1.4693 3 mths:1.4644 6 mths:1.4611 9 mths:1.4592

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Apr	86.60	+1.05	86.60	85.20	665	163
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]			[illegible]	
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]			[illegible]	
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	383.80-384.20	
Opening	384.60-385.00	
Morning fix	384.95	261.589
Afternoon fix	384.85	261.244
Day's High	385.00-385.50	
Day's Low	383.60-384.00	
Previous close	383.70-384.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.35	6 months	3.72
2 months	3.42	12 months	4.12
3 months	3.50		

Silver Fix	p/troy oz.	US cts equiv.
Spot	374.00	549.75
3 months	378.60	554.75
6 months	383.85	560.90
1 year	393.20	573.70

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	262-265
Maple Leaf	395.10-397.60	
New Sovereign	90-93	61-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	382.9	-1.0	385.6	383.0	1,746	171
May	384.0	-1.0	-	-	-	-
Jun	386.1	-1.0	387.9	385.4	82,518	24,377
Aug	388.7	-1.1	390.0	388.2	9,504	433
Oct	391.5	-1.0	392.0	391.5	5,110	1
Dec	394.4	-1.0	396.1	393.8	14,232	203
Total					138,097	25,270

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	407.3	-1.7	406.0	405.0	234	35
Jul	410.5	-2.4	412.0	408.0	22,030	3,669
Oct	411.2	-2.4	412.0	410.0	1,817	236
Jan	411.3	-2.4	412.0	412.0	620	21
Apr	413.0	-2.4	415.0	413.0	835	27
Total					25,526	4,189

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	133.20	+0.15	135.50	132.50	3,896	396
Sep	133.20	+0.15	134.00	133.50	412	35
Dec	133.20	+0.15	-	-	262	-
Total					4,580	431

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	544.5	-5.2	544.0	544.0	-	-
May	545.7	-5.3	551.0	543.5	68,390	20,946
Jun	547.7	-5.3	-	-	11	3
Jul	549.9	-5.3	556.5	546.0	21,257	4,003
Sep	554.4	-5.3	559.0	553.5	5,607	273
Dec	561.2	-5.3	567.0	560.0	3,962	334
Total					116,797	32,123

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	15.38	-0.12	15.62	15.6[illegible]	31,404	38,756
Jun	15.55	-0.10	15.36	15.66	81,324	29,497
Jul	15.75	-0.03	15.95	15.72	42,070	5,478
Aug	15.94	-0.06	15.99	15.84	20,965	2,555
Sep	15.10	-0.04	16.05	15.90	21,797	2,663
Oct	16.15	+0.07	16.15	16.15	13,453	1,565
Total					410,699	96,869

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	14.46	+0.01	14.66	14.38	57,267	24,497
Jun	14.42	+0.02	14.57	14.35	55,614	20,560
Jul	[illegible]	[illegible]	14.67	14.43	20,954	[illegible]
Aug	14.55	-0.02	14.27	[illegible]	[illegible]	[illegible]
Sep	14.66	-0.10	[illegible]	14.80	[illegible]	[illegible]
Oct	11.01	+0.01	[illegible]	14.76	[illegible]	[illegible]
Total					180,372	48,983

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	45.10	-0.36	45.50	45.05	47,930	15,015
Jun	45.15	-0.21	45.65	45.10	36,577	6,059
Jul	45.65	-0.08	46.00	45.50	29,640	2,749
Aug	46.35	-0.08	46.65	46.35	11,921	2,004
Sep	47.45	-0.03	47.45	47.45	9,307	991
Oct	48.35	-0.13	48.35	48.35	6,360	141
Total					173,006	32,817

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					115,832	16,231

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
May	2.080	-0.007	2.115	2.080	19,745	5,698
Jun	2.055	-0.014	2.115	2.061	10,993	[illegible]
Jul	2.106	-0.011	2.120	2.100	11,074	1,382
Aug	2.115	-0.016	2.130	2.115	10,376	811
Sep	2.130	-0.015	2.150	2.140	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					113,563	10,422

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	49.16	-0.45	49.95	49.10	33,650	[illegible]
Jun	49.25	-0.51	49.90	49.20	32,285	6,632
Jul	49.15	-0.29	49.60	49.10	12,586	3,539
Aug	48.65	-0.44	49.10	48.65	5,390	603
Sep	47.75	-0.44	47.50	46.05	6,244	1,119
Oct	47.00	-0.06	47.00	47.00	1,886	361
Total					120,388	31,093

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	110.25	+1.30	110.25	108.40	1548	176
Jun	111.15	+1.25	111.15	109.40	783	41
Sep	93.70	+0.45	-	-	410	-
Nov	94.90	+0.50	95.00	94.40	1,252	115
Jan	96.80	+0.45	96.85	96.85	691	20
Mar	98.40	+0.40	-	-	264	-
Total					4,988	352

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	344/6	-1/4	351/0	344/0	77,750	28,805
Jul	335/4	-0/4	339/0	334/4	111,545	14,565
Sep	337/4	-0/4	340/0	335/4	23,785	3,970
Dec	345/2	-1/0	348/2	344/4	28,815	5,635
Mar	346/4	-0/2	349/0	346/0	1,295	265
May	345/0	-1/0	-	-	5	-
Total					243,505	53,255

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	275/0	-3/6	278/6	274/2	485,620	104,045
Jul	276/2	-3/2	283/0	277/4	614,315	61,410
Sep	267/0	-3/4	270/6	266/4	155,740	9,650
Dec	257/2	-1/4	259/4	256/0	336,320	24,070
Mar	263/2	-4/0	267/0	262/2	23,556	585
May	267/6	-3/0	270/2	267/6	2,065	15
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	107.50	-0.75	107.50	107.50	153	2
Sep	94.50	+0.05	-	-	136	-
Nov	96.40	+0.05	-	-	104	-
Jan	97.90	-	-	-	16	-
Mar	98.75	-	-	-	-	-
Total					409	2

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	655/0	-3/0	661/0	654/4	238,490	48,370
Jul	654/4	-4/2	660/0	654/0	251,530	42,435
Aug	646/4	-4/2	[illegible]	[illegible]	[illegible]	[illegible]
Sep	633/0	-5/0	[illegible]	[illegible]	[illegible]	[illegible]
Nov	624/4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	624/2	-5/0	[illegible]	[illegible]	[illegible]	[illegible]
Total					758,655	167,285

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					93,694	13,516

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					68,504	10,635

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	130.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]			[illegible]	
Nov	[illegible]	[illegible]			[illegible]	
Mar	[illegible]	[illegible]			[illegible]	
Apr	136.5	[illegible]	137.0	135.0	[illegible]	62
May	[illegible]	[illegible]			[illegible]	
Total					867	145

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	1282	+8	1282	1270	990	62
May	1299	[illegible]	[illegible]	[illegible]	739	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					2,420	293

	Close	Prev
BFI	1216	1212

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	891	+9	896	882	18,364	1,620
Jul	911	+11	913	900	19,143	1,491
Sep	927	+9	930	918	12,111	483
Dec	947	+7	949	937	18,433	426
Mar	968	+5	970	960	26,395	137
May	980	+5	980	979	9,823	7
Total					114,518	4,214

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1142	+17	1144	1124	21,244	5,495
Jul	1166	+12	1168	1153	27,208	5,613
Sep	1185	+16	1185	1180	10,809	889
Dec	1232	+14	1232	1219	7,680	473
Mar	1266	+14	1264	1256	10,547	47
May	1288	+14	1280	1278	5,392	99
Total					86,418	12,875

■ COCOA (ICCO) (SDR's/tonne)

Apr 6	Price	Prev. day
Daily	853.04	863.79
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	1457	+43	1470	1427	14,317	2,013
Jul	1441	+34	1450	1423	18,400	2,627
Sep	1435	+36	1437	1415	7,383	1,716
Nov	1432	+34	1433	1410	4,224	200
Jan	1428	+33	1432	1410	5,377	198
Mar	1423	+31	1425	1410	1,856	115
Total					51,388	6,867

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	85.95	+0.80	84.60	83.25	29,437	12,854
Jul	85.65	+0.95	86.30	85.00	17,629	6,427
Sep	87.15	+1.15	87.70	86.60	6,799	1,023
Dec	88.50	+1.25	89.30	88.00	4,166	133
Mar	89.50	+1.05	90.40	89.40	1,844	162
May	90.00	+1.15	-	-	279	10
Total					58,160	20,609

■ COFFEE (ICO) (US cents/pound)

Apr 6	Price	Prev. day
Comp. daily	74.11	77.61
15 day average	77.71	77.56

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	11.36	-0.01	11.47	11.45	854	484
Oct	11.53	-0.10	11.93	11.89	2,769	242
Jan	11.50	-0.07	-	-	220	-
Total					3,843	290

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,763
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	818
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	214
Dec	[illegible]	[illegible]	-	-	[illegible]	-
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	30
May	[illegible]	[illegible]	-	-	[illegible]	-
Total					21,636	5,825

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,701
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,338
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,688
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,675
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	215
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6
Total					[illegible]	20,758

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	76.65	+0.40	77.00	76.50	[illegible]	1,306
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,255
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	482
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,713
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	111
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19
Total					[illegible]	11,816

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,187
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,181
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	182
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	157
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	137
Total					[illegible]	2,851

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 7	Apr 6	month ago	year ago
1818.6	1811.7	1801.9	1872.3

■ CRB Futures (Base: 4/9/56=100)

Apr 6	Apr 5	month ago	year ago
225.27	224.58	226.19	210.25

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	77.575	-0.150	77.925	77.450	18,006	3,070
Jun	74.375	-0.500	74.900	74.300	30,768	4,675
Aug	72.575	-0.325	72.975	72.400	12,550	919
Oct	73.625	-0.275	73.950	73.475	10,233	653
Dec	73.525	-0.050	73.975	73.675	3,263	324
Feb	73.550	-0.175	73.775	73.525	1,800	44
Total					76,832	9,900

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	46.225	-0.250	46.725	46.100	2,565	2,408
Jun	52.475	+0.025	52.850	52.250	16,471	3,396
Jul	51.725	-	52.025	51.525	5,110	852
Aug	49.625	+0.075	50.000	49.500	2,968	438
Oct	45.625	+0.050	45.950	45.500	1,910	313
Dec	45.925	+0.050	46.125	45.700	2,404	219
Total					31,857	7,871

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	54.325	+0.475	54.900	53.600	4,881	2,592
Jul	54.700	+0.400	55.100	53.850	4,443	2,031
Aug	53.250	+0.400	52.900	51.750	666	127
Feb	56.700	+0.200	56.700	56.500	103	16
Mar	56.250	-	56.500	56.250	9	2
May	57.400	+0.400	57.400	57.000	11	4
Total					10,113	4,772

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1300	41	74	36	48
1325	30	62	49	60
1350	21	51	65	73
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
1850	61	93	37	57
1900	37	68	63	81
1950	20	49	96	110
■ COFFEE LCE	May	Jul	May	Jul
1300	157	151	-	10
1350	108	111	1	20
1400	64	76	7	37
■ COCOA LCE	May	Jul	May	Jul
875	23	59	7	23
900	9	44	20	33
925	3	33	37	47
■ BRENT CRUDE IPE	May	Jun	May	Jun
1350	92	-	-	15
1400	45	-	3	30
1450	15	41	20	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$13.22-3.33w	-0.030
Brent Blend (dated)	$14.41-4.43	+0.070
Brent Blend (May)	$14.41-4.43	+0.020
W.T.I. (1pm est)	$15.62-5.64w	-0.010

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$165-167	-1
Gas Oil	$149-150	+2
Heavy Fuel Oil	$68-70	
Naphtha	$134-136	
Jet Fuel	$162-163	-0.5

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$384.00	-0.10
Silver (per troy oz)♣	545.50c	
Platinum (per troy oz.)	$406.50	+1.75
Palladium (per troy oz.)	$132.75	-1.25
Copper (US prod.)	91.00c	-1.00
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.30r	+0.05
Tin (New York)	251.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	130.74p	+1.90*
Sheep (live weight)†♠	150.22p	+17.77*
Pigs (live weight)	78.91p	+0.74*
Lon. day sugar (raw)	$271.9	+3.3
Lon. day sugar (wte)	$334.3	+4.3
Tate & Lyle export	£297.0	+2.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	£180.0x	
Rubber (May)♥	70.75p	
Rubber (Jun)♥	71.00p	
Rubber (KL RSS No1 Apr)	267.50m	+0.50
Coconut Oil (Phil)§	$540.0t	-12.5
Palm Oil (Malay.)§	$410.0w	+2.5
Copra (Phil)§	$362.0v	
Soyabeans (US)	£208.0y	
Cotton Outlook A Index	82.10c	+0.90
Wooltops (64s Super)	392p	

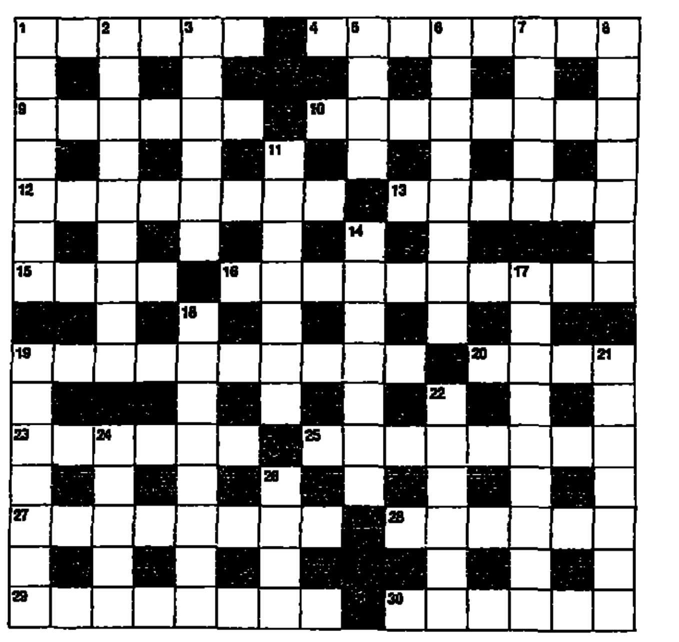
£ per tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. m-Malaysian cents/kg. t May. v Apr. w May. x Mar/Apr. y Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

Wool

There are no wool auctions until next week and closing sales before the Easter recess were not [illegible]

CROSSWORD

No.8,423 Set by DANTE



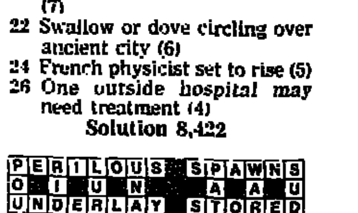
ACROSS

1 Artist's back pay? (6)
4 Lent is brought forward (8)
9 Be sorry for sounding like an angry job to one lady (6)
10 See 12
12 New calculating rules for mathematicians (8,8)
13 Irregular forces decoration (6)
15 He's very stupid to continue (4)
16 Impressive result of adding hundreds of dollars? (5,5)
19 Union negotiator (10)
20 Yard or square measure (4)
23 They're very fast but may be shot (6)
25 Star strikes a new pose (8)
27 Way in for transport (8)
28 Two companies joining together on a silk product (6)
29 Sadly they lack an opener (8)
30 It's built as an ocean container (6)

DOWN

1 Tackle some vote-manipulating (7)
2 Wait outside Ascot for a change of clothing (9)
3 Plunder and desecrate a grave (6)
5 Pull upward (4)
6 Account presented to a clergyman is absolutely correct (8)
7 Groups of agents in prison (5)
8 Plunder piled so haphazardly (7)
11 Good route for a long-distance driver (7)
14 Smoke and produce an angry reaction (7)
17 Area in which great fear holds it over your head (9)
18 One Nebuchadnezzar fired settled for hard cash (8)
19 Something to astound Pound or another poet (7)
21 Look this way with suspicion (7)
22 Swallow or dove circling over ancient city (6)
24 French physicist set to rise (5)
26 One outside hospital may need treatment (4)

Solution 8,422



JOTTER PAD

FINANCIAL TIMES SURVEY

EAST KENT

Friday April 8 1994

■ East Kent Initiative achieves a key objective: see report, PAGE II

■ Strong potential of the region's business parks: PAGE III

Opportunities have been created to make East Kent one of the most promising business locations in the UK. Bold plans are now under way to attract further investment and jobs, as **Richard Evans** reports here

A move in the right direction

It has taken a long time for East Kent to get across the message that its economic needs are more akin to those of deprived industrial areas in the midlands and north of England than to the rest of the traditionally affluent south-east - but a good start has been made.

The granting last summer of assisted area status for most of the coastal strip of North and East Kent was a considerable achievement which should help to attract investment and jobs. It marked a recognition by the government that the area has specific problems that need urgent attention.

The problems stem from many complex factors – a decline in traditional jobs such as agriculture, engineering and coal mining, changes in the pattern of tourism in the coastal resorts, the impact of the single European market on ports like Dover, and the rationalisation of cross channel ferry services to compete with the channel tunnel.

A study in the late 1980s on the likely impact of the tunnel showed that these structural and cyclical changes could leave the area short of 40,000 jobs by the turn of the century.

Big improvements in the region's transport system have spurred interest among investors

Local authorities and the private sector therefore decided jointly to launch the East Kent Initiative to lobby for aid, and the campaign for assisted area status has now been won. Sir Alastair Morton, chairman of the EKI and of Eurotunnel, summed up local feelings: "We have cracked the conventional Whitehall and Tory Party wisdom that there is no depression or misery in good, solid Tory south east England ... the area has a stagnant economy, a low skill base and poor infrastructure and was on a descending spiral."

The task now is to make full use of assisted area status, he said – "this gives East Kent huge advantages in relocating companies. Now we have to exploit that asset and tell business everywhere – in the UK, on the continent and further afield – of the benefits we have to offer."

Four travel-to-work areas, Dover and Deal, Shepway, Swale and Thanet secured assisted area status, three as intermediate areas and Thanet as a development area where higher levels of grant are available, including access to categories of European aid.

The need to overcome the image problem East Kent faced from being part of the south-east is evident from a drive around the Isle of Sheppey, through the stranded former pit villages, and along the down-at-heel coastal resorts, many of them with more social security bed-and-breakfast occupants than holidaymakers. It can be a depressing experience on the sunniest of days.

Thanet, one of the hardest hit, has an unemployment rate of 16.8 per cent, making it the sixth worst blackspot in the country. The problems have been caused by the decline in tourism as its traditional London visitors chose the sunshine of the costas instead, and by tighter manning of the Ramsgate ferries to meet competition from the tunnel.

Unemployment in Dover and Deal and in Folkestone has also been affected by cutbacks in ferry manpower and by the loss of over 5,000 jobs among local customs agents following the introduction of the single European market.

Dover, as the biggest cross channel operator, expects more job losses when the tunnel opens. Swale, which includes the Isle of Sheppey and Sittingbourne, has unemployment of over 14 per cent, but there are much worse pockets in Sheerness.

The deep water port has a flourishing car and fresh fruit importing trade, but new jobs are needed desperately. The Olau ferry line has recently announced the curtailment of its Sheerness to Vlissingen, Holland, service which is expected to lead directly and indirectly to the loss of several hundred jobs.

Having achieved government help, the next move by the local authorities, Kent Training and Enterprise Council, and private companies under the EKI umbrella, is to capitalise on it.

The strategy is two-fold – to seek more infrastructure improvements and to make sure there are suitable sites prepared for potential inward investors.

A number of infrastructure projects have already been made to improve access to the more peripheral areas. The M20 motorway has been completed to Folkestone and Dover and the tortuous Thanet Way linking Ramsgate and Margate with the M2 is becoming dual carriageway.

The next crucial improvements are better rail services and stock on the notorious north Kent line, and better access from the M2 to the Isle of Sheppey and Sheerness.

A new crossing is not due to be started until 1997, even though the only access at present is via a swing bridge which stops traffic for five minutes in every hour.

The full impact of the channel tunnel on the local economy remains unclear. Recent estimates suggest it could take 35 to 40 per cent of passenger traffic and up to 20 per cent of the freight market when it is fully operational.

It will obviously continue to affect the ferries, but they remain bullish about their future provided they can retain competitiveness.

For the rest of the East Kent economy, much will depend on the imminent decision on where to route the Ashford section of the high speed rail link from the tunnel to London. There are three options, two of which would go through the town and the £80m international passenger station now being built, while the third would loop to the north, leaving only a spur line into the town.

Local authorities and the East Kent business community argue it is essential that the line should go through Ashford so that the town can fulfil its role as a centre of expansion for the whole area.

Without the full use of the station they fear that parts of the area would remain too peripheral and that the potential benefits of the tunnel would be lost.

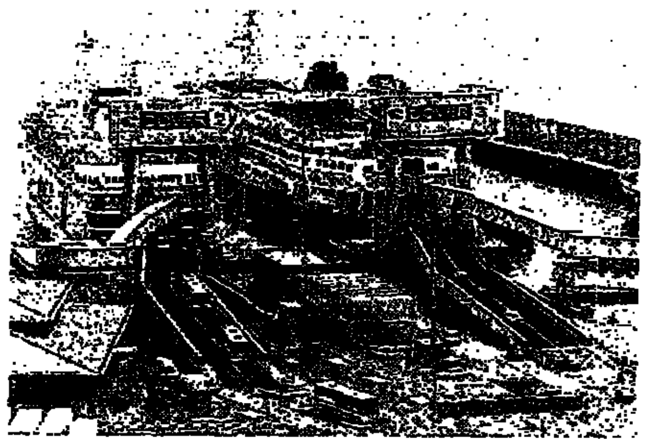
Planners are making sure there are suitable sites prepared for more inward investors

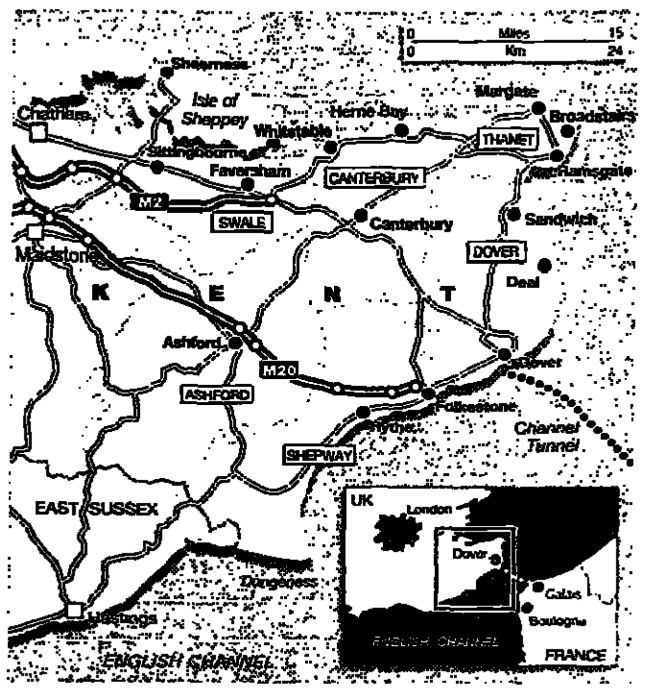
Ashford is the only part of East Kent that has fully fledged development sites and business parks ready for early occupancy, and this is seen as a top priority for the rest of the area.

A number of promising sites have been designated, including White Cliffs at Dover, Kent International at Manston in Thanet and Cheriton Parc at Folkestone but more infrastructure and access work needs to be done before they become fully operational.

Mr Ken Welsh, seconded from Dover district council as the EKI's inward investment manager, says: "The keys to the future are inward investment and marketing. We have many natural advantages as the closest part of the UK to the continent and as a pleasant environment, and now we have the grants, but we have to get our flagship business parks opened up so that we can welcome new jobs."

Mr Martin Hemingway, just returned to Eurotunnel after running EKI since its launch in late 1991, sums up the general feeling: "We have got to the point where opportunities have been created to make East Kent one of the most exciting business locations in the UK. The next stage is to take advantage of those opportunities."





□ Pictured, top left: a Channel tunnel train – the rail route is crucial to the development of the market town of Ashford: see Page II.
□ Top right, Dover Harbour, Eastern Docks – the cross-channel ferry companies in combative mood are now concentrating on new, higher quality services, see Page III.
□ Boats, lower left, moored at Ramsgate Harbour.
□ Crowds, lower right, throng the picturesque High Street at Canterbury, the Cathedral city and university centre.

■ EAST KENT INITIATIVE

More inward investment sought

The first key objective of the East Kent Initiative has been achieved with the granting of assisted area status last year and the government's acknowledgement of the region's problems, but this does not guarantee recovery. Much more work needs to be done and the Initiative is now concentrating on attracting inward investment.

"The important point is that people now know where we are. We are getting many more inquiries and we must convert these into jobs," says Mr Martin Hemingway, general manager of the EKI since its launch at the end of 1991.

However, Mr Hemingway, returning to Eurotunnel after his two-year secondment, stresses that the government grants, while welcome, do nothing to change the underlying problems.

"The structural difficulties remain – there is insufficient strength in manufacturing and the major employment areas like the cross-channel ferries, Customs services and mining are in decline or employ fewer people. It is these long-term problems that we have to combat."

The EKI, a partnership of Whitehall, local government and the private sector, was established to counter these long-term employment problems, exacerbated by the introduction of the single European market and the construction of the channel tunnel. A study in the late 1980s showed there could be a shortfall of 40,000 jobs by the year 2000 if no action was taken. The idea was that one powerful umbrella organisation would be more effective at hammering home the need for action and support than individual organisations and local authorities fighting the same battles but separately.

Core funding comes from four main private sector sponsors, British Telecom, Dover Harbour Board, Eurotunnel and P & O European Ferries, whose contributions are matched by the Department of Employment.

Other contributors are Kent county council, Kent training and enterprise council, and the six local authorities in East Kent, Ashford, Canterbury, Dover, Shepway, Swale and Thanet. Chairman of the EKI is Sir Alastair Morton, chairman of Eurotunnel.

Some of the member organisations have provided personnel, and funding for individual projects has been secured from a variety of private and public sources including the European social fund. The newly-appointed general manager is Mr Ian Gill, former chief executive of Thanet district council, the only local authority in East Kent to have secured full development area status.

The role of the EKI has been to stimulate and regenerate the rundown local economy, partly by self-help and partly by persuading Whitehall that the job could not be done without outside aid.

The success in achieving assisted area status came from persuading ministers and senior civil servants that some areas in the historically prosperous south-east deserved help as much as economic blackspots in the midlands and north.

Assisted area status is not seen as a panacea but as help that will tip the balance in favour of a faster recovery and a more secure future. The main objectives now are to encourage the completion of key development sites to enable new jobs to be created, and to ensure that further improvements are made to East Kent's transport infrastructure.

The EKI has been organised into five action groups – inward investment and promotion; infrastructure and site development; skills development and training; business development and trading links; and tourism. Each has its own co-ordinator and a small core staff at the Dover headquarters.

Many improvements have already been made to the region's infrastructure, including completion of the M20 motorway to Folkestone and Dover, but more needs to be done.

Thanet, the district with the highest unemployment levels that covers Margate, Ramsgate and Broadstairs, is still too isolated, but access will be easier when dual carriageway improvements to the Thanet Way are completed and new Networker rolling stock is introduced on the notorious north Kent commuter railway.

The most intransigent employment problems in Swale are centred on the Isle of Sheppey, which despite the potential for growth at the deep water port of Sheerness, has a depressed local economy and is handicapped by having only one crossing to and from the mainland, a swing bridge that disrupts traffic for five minutes in every hour.

The other big problem facing the EKI in its battle to attract inward investors is the lack of available premises. Half a dozen potentially excellent business parks have been earmarked for development, including Kent International adjacent to the airport at Manston in Thanet, White Cliffs at Dover, Cheriton Parc near Folkestone and Eurolink at Sittingbourne, but they need substantial infrastructure improvements including better access.

This work is seen as a top priority by Mr Ken Welsh, EKI's inward investment manager – "we have got to get our business parks opened up as fast as possible, otherwise there is a danger that potential jobs will go elsewhere."

Talks are taking place with English Partnerships, the government development agency, to get work on the parks started soon. The only town in the area with business parks ready for easy occupancy is Ashford, designated by the county council as an area for growth, but take-off here awaits a decision on routing the channel high speed rail link through or around Ashford and its international passenger station.

Mr Welsh and his colleagues are targeting six sectors of industry and services that would be suitable for East Kent and the available workforce – food processing, construction materials, medical products, paper and packaging, high technology including ceramics, and business services.

"What we badly need is a flagship project of high quality where we can show what we *can* do to the company's satisfaction. This would act as a catalyst for others," he says.

One of the area's problems has been the dearth of large companies because of the lack of a manufacturing base. Around 93 per cent of businesses employ less than 20 people, and apart from specialist employers like the ferry companies, among the few success stories have been Pfizer, the US-owned healthcare company which employs 2,500, including 1,200 research staff at Sandwich; Portex, the medical products company, based at Hythe and Folkestone; Knauf, the building materials producer, near Sittingbourne; and Sericol, the industrial inks specialist, outside Broadstairs.

Richard Evans

■ EDUCATION AND TRAINING

Striking the right balance

The decline in traditional industries and the need to attract inward investment has led to the introduction of a range of training provisions for industry and management throughout East Kent, *writes Richard Evans.*

The need is particularly acute because dependence on industries and services like coal mining, tourism and cross channel ferries has led to a dearth of up to date skills in some areas.

But although these needs are recognised, a difficult balance is having to be struck on how best to divide the limited budget between improving skills and putting maximum resources towards improving the infrastructure in order to attract more jobs.

Mr Ken Welsh, inward investment manager at the East Kent Initiative, appreciates the dilemma more than most – "we see the top priority as getting more business parks completed so that companies can move in straight away, while at the same time giving any help we can to improve local skills. But it is no use going overboard on training without attracting the jobs."

The decision last year to grant Dover, Shepway (Folkestone) and Swale (Sheerness and Sittingbourne) intermediate area status and Thanet (Margate, Broadstairs and Ramsgate) full development area status should make more money available for skills training, both from UK and European Union sources.

In addition, increasing use is being made of the facilities available at Kent University, based at Canterbury, and other higher education colleges, and a range of management training programmes being introduced by the recently launched Kent Chamber of Commerce and Industry.

Unemployment across East Kent averages 10.7 per cent, but this includes travel to work areas of relative prosperity like Ashford and Canterbury. There are areas with chronic unemployment problems like Thanet (16.8 per cent and among the worst blackspots in the country), and Sheerness and Sittingbourne with 14.7 per cent, though the level is much higher in parts of the Isle of Sheppey.

Folkestone's level is 13.4 per cent and Dover's 10.9 per cent, but both these are expected to deteriorate as the channel tunnel comes into operation and the ferry companies rationalise to compete.

Kent Training and Enterprise Council, a non-profit making partnership between business and local and central government to stimulate growth and to expand the pool of available skills, has launched two initiatives.

The training for work and the training credits programmes target for special action school leavers and the long-term unemployed, offering skills training and job placements.

Training for work provides people out of a job for more than six months with vocational training and work placements, and individually tailored packages are provided. Training credits allow 16 and 17 year olds leaving school to claim up to 6,000 worth of vocational training.

Kent University adds £100m and 3,360 jobs to the region's economy

In a partnership between Kent Tec and Dover district council, engineering and technical training is available which give grants of up to 50 per cent of costs for workers in local manufacturing companies employing fewer than 350 people. Small companies are given priority.

Kent Training Centre, also in Dover, was set up by Kent county council over five years ago to provide construction industry training. The range of courses covers bricklaying, plastering and carpentry, and there are many short courses in a range of construction skills. The centre is adapting to the changing needs of industry as qualifications move towards the training of all-rounders rather than single craft specialists.

An imaginative scheme is being launched by Swale borough council at Sheerness where the site of a former old sailors' rest home is being converted into a 41-bed training hostel for young people at a cost of 1.3m. They will be trained either on site or elsewhere locally and use the hostel as a base. The scheme, based on a French idea for training hostels, should be launched by the end of the year.

An area with equally intractable though very different problems is Romney Marsh in Shepway, where the decline in agriculture, poor communications, a low skill base, low wages and high unemployment are compounded by poor access. The Kent outreach project, funded by the county council, Kent Tec and the rural development commission, has sought to develop training and education opportunities, particularly for young people. Courses have included computing, languages and catering.

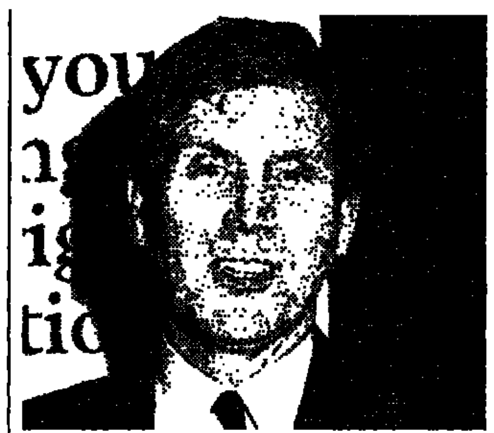
At a more advanced level, South Kent College with sites at Dover, Folkestone and Ashford offers a wide range of vocational training opportunities including business and management studies, engineering and construction, information technology and languages.

Kent University has developed into an important research and teaching centre; it is an acknowledged centre of excellence in biotechnology, fibre optics, medical electronics and computer networks, providing research and statistical services for industry and commerce, international organisations and local and central government.

As the largest employer in Canterbury, the university adds some £100m and 3,360 jobs to the economy of East Kent.

One of the most interesting developments at Canterbury has been the establishment in 1992 of Chaucer College within the university campus. It is an independent college owned by the Japanese Shumei educational foundation, which provides Japanese nationals with an education in western culture, history and politics.

The Kent Chamber of Commerce, launched last autumn in an attempt to co-ordinate the efforts of a dozen small local organisations, has already becoming the third largest chamber in the UK with 3,000 businesses in membership, 17 staff and a growing range of training courses, many specifically tailored for local needs.



Ian Gill, general manager of East Kent Initiative, and formerly chief executive of Thanet District Council

Optimistic: Ken Walsh, inward investment manager, East Kent Enterprise, part of the East Kent Initiative

■ ASHFORD

Poised for take-off

Civic leaders and the business community of Ashford have faced decades of frustration. The town, well-placed in the centre of East Kent to take full advantage of improved communications and the opening of the Channel tunnel, has been earmarked as a growth centre for years, but take-off has been disappointingly slow, writes Richard Evans.

The vision is there and much of the infrastructure has been put in place, but fresh difficulties keep on emerging to delay the full realisation of the ambitious plans.

Ashford, an historic market town, began to diversify in the 1950s when it agreed to take some of London's overspill population, and growth was steady if unspectacular.

It was earmarked more specifically as a growth centre in Kent County Council's structure plan, being ideally situated to take advantage of growing trade links with Europe. The intention was that it should become a focus for inward investment that would benefit the whole of East Kent. The town's potential as a centre for strong economic growth was further boosted by the channel tunnel project and the decision to build an international passenger station in the town as part of the fast rail link from the tunnel at Folkeston to London. It is here that problems continue to dog development plans.

When Mr John MacGregor, transport secretary, announced the approved route for the rail link in January, there remained two areas of uncertainty. One was near Gravesend in north Kent and the other was around Ashford. The battle is still being fought and its outcome is regarded as crucial to the full development of Ashford as a growth centre.

There are three possible routes under discussion, central and southern ones that would go through the new station, and a more northerly one that would bypass it.

The northerly route parallel to the M20 motorway would, in the view of the town's civic leaders, be a big economic blow as it would mean a smaller number of diverted trains would call at the station. Most would travel straight to and from London.

Mr Ernie Mexter, chief executive of Ashford Borough Council, expresses a common view: "We strongly favour a line going through the new station as it would bring greatly increased prosperity to the whole of East Kent. The northern option would mean we'd have all the environmental drawbacks of the rail link – and none of the economic benefits."

Preliminary work has already started on building the station and completion by a consortium led by John Laing is expected by the end of next year. The £50m project involved the redevelopment of the BR Network South East site and the construction of new platforms and an international terminal building with parking for 2,000 cars.

If the main line goes through the station rather than a spur, the service to be known as Eurostar, will run between 10 and 15 trains a day with Brussels just two hours away and Paris slightly more. Overnight trains will also run to Amsterdam, Cologne, Frankfurt and Dortmund. Ashford would be the only passenger stop between London and the continent.

An important infrastructure element is Ashford's southern orbital road which provides access to two business parks including the 100-acre Orbital development. The adjacent 114-acre Waterbrook site, owned by Eurotunnel Developments, has outline planning permission for the relocation of Ashford's cattle market, and for hotel and leisure uses as well as office, industrial and warehouse developments, a truck stop and customs clearance facilities.

The truck stop will be the only area on the M20 corridor identified for trans-shipment, warehousing and wholesale distribution. On the town's northern outskirts is the Eureka science and business park, a 135-acre site owned by Trinity College, Cambridge and aimed primarily at international companies requiring prestigious landscaped sites for research and development.

A question mark hangs over the development as the controversial northern route for the rail link would cut across a corner of the park and prevent the construction there of leisure facilities planned by the local authority. A final decision on the route is expected within weeks and if it goes as the council hopes, everything will then be in place for the long-awaited surge in growth that will enable the town to fulfil its role as the catalyst for jobs throughout the East Kent area – "we are poised for take-off and we have a good reputation for getting things done," says Mr Mexter.

■ THANET

Progress is being made

Bright new signs at the London end of the M2 and M20 motorways into Kent signal the way to Ramsgate. It is a small indication, but an important one, of the determination of Thanet to put itself much more prominently on the map. It has certainly needed to, for Thanet is among the most run-down parts of the south-east and is in desperate need of funds to improve its infrastructure in order to attract more inward investment, *writes Richard Evans.*

"The problem is that too many people don't know where Thanet is. We have had to set about putting that right," says a local authority official. The increased prominence being given to Ramsgate is one success achieved.

Previously, Dover was by far the most prominently advertised channel destination on the routes out of London, followed by Folkestone, and with Ramsgate scarcely getting a look in, despite its flourishing cross-channel ferry and jetfoil services.

It was all part of a pattern, with the Isle of Thanet as it is officially known, separated from the rest of Kent by the river Stour. The divide is now more psychological than physical but the area, which includes the resorts of Margate, Broadstairs and Birchington as well as the port of Ramsgate, is still seen as somewhat isolated and peripheral.

All this could be about to change with the successful application by Thanet for development funds, both UK and European Union sourced. Thanet is now the only assisted area with full development area status in the south-east, an indication both of the effective battle fought on its behalf and of the severity of the economic problems it faces.

The area has suffered steady economic decline over the last two decades and has a unemployment rate of 16.8 per cent, the sixth highest in the UK and comparable with the worst blackspots in the industrial north. The weak economy is due to the decline in tourism and manufacturing, poor communications and its remoteness from the rest of the country. There is therefore an urgent need to diversify and enhance Thanet's economy on a broad front. The problems remain substantial but progress is being made and the potential is there.

Mr Ian Gill, former chief executive of Thanet district council and recently appointed chief executive of the East Kent Initiative, says: "The big achievement has been to gain recognition for the problems of Thanet. We must now build on this success by helping existing businesses and by unlocking funds to create the right basis for inward investment."

Development area status means access not only to substantial UK government funds but also to European regional development funds available for both infrastructure and training projects.

Infrastructure projects are already under way or programmed in order to end the area's relative isolation. These include upgrading to dual carriageway for its entire length the Thanet Way, the tortuous link with the M2, improving access to Ramsgate port, and improving the road from Thanet to Ashford with its projected channel rail link passenger station.

Great importance is placed on developing the Kent International Business Park adjacent to the joint civil and military airport at Manston in the centre of Thanet.

Thanet's biggest difficulty has been that even if inward investors show interest, there are too few sites available for immediate occupancy. But the potential at Manston is considerable, and top priority is being given to improving the infrastructure with UK and EU funds so that more businesses can be attracted.

Thanet hopes to get £12m in European regional funds for the site and £20m from other sources so that work can be completed quickly. The Manston site would then provide low cost development land, immediate access to the airport with its long runway and new £2m terminal building, and easy access to the port of Ramsgate three miles away.

Mr David Ralls, ex-Army officer and helicopter pilot and Thanet's new chief executive, is optimistic – "Manston's location so close to Europe and the easy availability of air and sea transport should make it an unbeatable combination."

مصورا من الاصل

David Lawson examines the potential for the region's business parks

Crouching on the starting blocks

Satellite pictures of south-east England reveal a strange phenomenon. Two tendrils snake out of the pulsating blob of metropolitan London like some amoeba stretching to link with another life-form. A few years ago, nodules *sprouted* along these glinting lines but appear to have stopped growing recently.

The analogy is not far from reality. As Britain moved towards economic unity with the rest of Europe over the last decade, the M2 and M20 motorways ploughed physical connections east and south through a region traditionally left to farmers.

Developers were not far behind the earth movers, darting left and right to *stake out huge claims*. In an area short on large towns, business parks were considered the only outlet for future growth.

More than half a dozen now cluster around the southern strip from Ashford to Dover, and another handful cling to the northern fringes of east Kent. But the future has taken longer to arrive than anyone guessed. Impressive gateways often lead off new access roads on to cleared fields; new buildings, however, are few and far between.

Two schools of thought try to explain why these giants lie sleeping. One inevitably involves the tunnel – "we are all crouched on the starting blocks waiting for it to happen," says Steven Harris of agents Conrad Ritblat, who is overseeing *the 100-acre Orbital Park, one of five big* schemes clustered around Ashford.

"I have inquiries for more than 1m sq ft of space and expect to get half of this scheme away as soon as they see trains going through."

Not everyone has held back. BP Travel took five acres as a national distribution centre for brochures imported from the Continent. Similar regional break-bulk organisations are expected to pay around £300,000 an acre *or 6.50 a sq ft for* buildings in future.

"Around 30 per cent of all goods coming through the tunnel will end up in the south-east," he says. And if they fill this site, Eurotunnel Developments also has *the 200-acre Waterbrook Park across the* road.

Others emphasise more wide-ranging reasons for the surge - and subsequent slowdown, in building - "we have suffered the same way as every other region from the recession," says Charles Stevens of *Cluttons, which revealed the weakness of* tenant demand in recent property market study – "delays to the tunnel opening are merely a coincidence."

That strikes a chord with David Easson, who is in a unique position to assess the region. He helped build Stockley Park, the first and most famous UK development of this kind, in the economic cauldron west of London. He now sits just outside east Kent, running the 650-acre King's Hill *development for Rouse Kent near Maidstone.*

"Kent suffered from poor roads and a general feeling among companies and councils that the Garden of Kent should be left unploughed," he says. Now it is bene*fiting from easier access.*

That is why Rouse wants to create almost 3m sq ft of business and leisure space, plus up to 1,500 homes on the former airfield at West Malling. But it is geared very much to taking London's office overflow paying up to 15 as ft or *350,000 an acre. Most of East Kent's parks* will be distribution centres, which would probably have sprung up even without the tunnel, spawned by fast roads and closer European ties.

The effects of recession show up more clearly along the northern coast. Mark Cunningham of Cormorant, for instance, admits he would never have expected things to take as long developing the potential 1m *sq ft at Abbey Farm Business* Park, near Faversham, when it was planned during the boom – despite the attractive location off the M2. But he has been handed a crucial advantage through the new assisted area status, which should *provide grants for an access bridge as well* as incentives for tenants.

The Wiggins Group has even more reason to celebrate, as its Kent International park near Ramsgate is getting an extra benefit from Objective Two status granted by the European Union – "that will pro*vide money to link the site to the fast* Thanet Way, giving dual-carriage or motorway links right through to the M25," says Geoff Lansbury, the managing director.

With labour costs 10 per cent lower than south Kent and land prices around £100,000 an acre, he expects to grow faster than some of the newer parks.

As they look to the tunnel, so he is concentrating on the neighbouring airport *and* the build-up of an air-freight distribution centre.

So the tunnel is not the sole factor driving this region. It already has a pedigree, growing faster than the rest of the UK in the 1980s, and is expected to bounce back *even higher as the economy recovers*, because it now has better infrastructure and the Single European Market in its favour. It actually starts from a better base than areas more popular with devel*opers during the boom* because there is no massive overhang of empty space, according to a study by Nicola Morrison, Russell Chaplin and Jon Potter at the Cambridge University Department of Land Economy.

This points out that East Kent – particularly Ashford and Folkestone – could benefit from planning restrictions and lack of town-centre office sites elsewhere in the county. And parking requirement seem likely to push that activity onto the parks.

Overall demand will be far below that in the 1980s, however, whereas the need for factories will be much higher right through the decade, says the study.

Manufacturing premises (between 10,000 and 15,000 sq ft) are already in short supply, particularly in Tunbridge Wells and Ashford.

Distribution seems set to hold the centre stage, however, and despite hundreds of acres set aside for development, only a *year's supply of warehousing* is immediately available.

"The potential for development is considerable, particularly once the Channel Tunnel is integrated into the infrastructure," says the study. Ashford emerges *once more as an important node* because of its strategic position. It is showing shortages of premises over 25,000 sq ft, even though the region's total supply exceeds demand.

■ THE FERRIES FIGHT BACK

Pain amid the gain

Sightseers used to swarm out on sunny summer weekends to see giant mechanical diggers start hacking a giant hole into the chalk Downs behind Folkestone. For some, however, it was a view into another kind of pit, *writes David Lawson*.

Ferry traffic dominated the small port's economy, and what future was there if passengers disappeared into a hole in the ground before they even reached the coast?

"There was a general air of gloom in 1986 when the tunnel got the go-ahead," admits Ian Todd, information director for P&O European Ferries. "We knew that in theory it could take all our custom."

The choice was simple: sit back and hope the project would fizzle into bankruptcy, or fight to keep a large chunk of the market.

Attack was chosen as the best form of defence. A quick, hard strike through price cuts could cripple Eurotunnel in the early years when it was constrained by heavy debts. But this could not be guaranteed – and carried hidden dangers. The tunnel would be an *even* more formidable competitor once relieved of its debts by bankruptcy, according to Roger Vickerman, professor of regional and transport economics at the University of Kent.

So the industry opted for a campaign of cost-cutting and investment. It also brought in a new ally when Sealink, the other big operator, was taken over by *Stenna* of Sweden in 1991. Folkestone was an early casualty in the crossfire. Just as the tunnel terminal emerged on the edge of the town, most of the ferries deserted – "it was just too small for the new generation of super-ferries," says Brian Rees of Stenna. Around 700 *jobs and the spin-off from* more than 1m passengers a year, disappeared. But Dover, which had seethed over the prospect of losing pre-eminence to its smaller neighbour because of the tunnel terminal, won a large consolation prize. P&O has invested more than £400m in new ships and training while *Stenna Sealink* spent £250m on four new ferries into the port.

Ferry companies are concentrating on new, higher quality services

Despite 200 redundancies, P&O still employs around 1,000 people there and another 3,000 on the ferries – "last year we carried 8m passengers and more than 250,000 lorries on the Calais route," says Mr Todd. "This was our fourth consecutive record year."

Stenna Sealink carried 6m passengers, a 10 per cent rise on 1992, and 312,000 lorries (6 per cent up) and plans 25 sailings a day in 1994 compared with 20 last year. Both carriers also run freight-only services – P&O to Zeebrugge and Stenna to Dunkerque.

There has been some pain. P&O closed its Boulogne service while a partnership with Ostend Lines ended last year. But Dover's loss was Ramsgate's gain as Sally, the third largest ferry operator, picked up this loose end. It should double the 2m passengers car*ried from Ramsgate to Dunker*que and Ostend in 1993. P&O may also bring further relief to the area by picking up the Olau service from Sheerness to Vissingen, under threat because of a labour dispute.

But these outlets from north Kent are not involved in the same battle for cross-channel transport. Ramsgate is a leisurely four hours from the Continent rather than the tunnel's sprint. Dover, however, falls between these extremes, with a 75-minute trip. The ferry operators have tried to *nibble away at the time differ*ence – "we can now offer a 20-minute check-in, with cars having to stop only once to get the ticket," says Mr Todd. After that, computers read windscreen stickers automatically.

Price levels have also been *simplified*. Stenna Sealink substituted a single fare for the confusing variety of rates set according to time of day. Mr Rees adds that prices are between 60 and 90 less than the proposed tunnel charges. But this is not a big battle zone. *The two companies are concen*trating more on quality than bargain rates to defend their hold on the market – the main reason for buying super-ferries. "All our ships now have silver-service restaurants, video lounges and baby rooms," says Mr Todd.

Ferries made the first retaliation, timing improvements to begin last summer, when the tunnel was scheduled to open. That has introduced passengers to services they cannot get while speeding underground. While day-trippers may opt for a shorter journey, others will prefer a comfortable break.

Analysts accept that this distinction will help the ferries survive, even with a fully-func*tioning tunnel*. Cross-channel traffic is forecast to soar from almost 65m passengers in 1990 to 113m in the next decade and 150m by the year 2003. Freight traffic is growing even faster. The one question is whether there is room for two operators. A merger seems possible, which means some further pain amid the gain that east Kent will see from the tunnel.

■ CHANNEL TUNNEL'S IMPACT

Stimulus for development

Clustered around Ashford – long picked out as one of the chief growth centres in the UK – are vast sites near the M20 motorway waiting for a tidal wave *of new buildings. And waiting*, and waiting...

"Businesses in this country have a habit of refusing to act until major infrastructure projects are finished," says Jon Barrett, Kent County Council director of inward investment.

"We saw that with the Dartford Bridge, which did not attract jobs until it was opened. And that was an obvious project compared with the Channel Tunnel, which is just a hole in the ground."

In other words, the impact of the largest private sector *infrastructure project ever* attempted in the UK will not be seen until it opens. But plenty of informed guesswork has happened during seven years of gestation and construction, *writes David Lawson*.

Forecasts suggested that employment from construction work on the tunnel would have little lasting impact on the local economy, and any employment generated would be dwarfed by other structural decline, producing a net loss of 10,000 jobs. This hard news *gave impetus to setting up the* East Kent Initiative and led to the successful campaign for assisted area status.

Jon Barrett might be expected to wilt under the weight of gloom, but two factors keep him remarkably sanguine. The first is not the tunnel itself but the terminal due to open at Ashford in 1996. The rail link – already put back by more than a decade – could so easily have slipped through the region with hardly a trace left around the edges – "but the station means trains will stop here on the way to and from Brussels and Paris," he says. "That will stimulate surrounding development."

Secondly, he cites new companies already moving into the area – "mainly small businesses wanting to take advantage of the European connection," he says. "They will grow much faster than indigenous industry. "Across the county as a whole, 250 jobs were created by new businesses in the year to last March. Those same companies now employ 320 people."

The danger, however, is that this growth will draw investment away from East Kent, already facing a shortfall of 40,000 jobs because of structural decline of industries like mining, fishing and now the *ferries*. But the six district councils have combined to fight back through the East Kent Initiative.

A regional boost comes from qualification for the European InterReg programme, which will give East Kent yet more access to grants for joint promotion with the Nord-Pas de Calais. This has already led to inquiries for space, so East Kent should get more of these fast-growing companies, helping build further momentum – "it shows the success of local authorities working together *for a common aim – even* when some are in a different country," says Mr Barrett.

The obvious hope is that some of those concerns will come from overseas – "one factor rarely mentioned about the tunnel is the psychological fact that it ties us physically to mainland Europe," he says.

■ IMPROVED ROAD/RAIL LINKS

Foundation for confidence

Transport improvements are the single most important reason why investors have taken a new interest in Kent, according to a poll by the property consultants, Cluttons. That fact might appear self-evident when so much money has gone into creation of the Channel Tunnel, yet it is not this massive development which has raised the area's reputation. New roads are the foundation on which business confidence is being built, *writes David Lawson*.

While new roads are unlikely to make companies suddenly decide to move into regions like east Kent, better access is undoubtedly welcome.

In some eyes, it could not have been much worse.

Much has changed in the last few years - but much *had* to change, according to the 1991 review by PA Cambridge Economic Consultants. The tunnel is expected to increase traffic loads for several reasons. Firstly, the fast rail link will not be built until the next century, so waggons will continue to thunder through the region. In fact the tunnel will increase this load as hauliers switch from other channel ports to both Dover and the tunnel as fare cuts increase their competitiveness.

Money for roads has poured into the region since the tunnel was announced - Kent has topped the national spending list for three years in a row. Much has been reserved for areas outside east Kent, such as the £160m Medway towns relief road. But resources are also going towards the important Thanet Way, which will carry *the advantages of the M2* eastwards to Ramsgate. Not quite a motorway, but £140m on a continuous dual carriageway comes close.

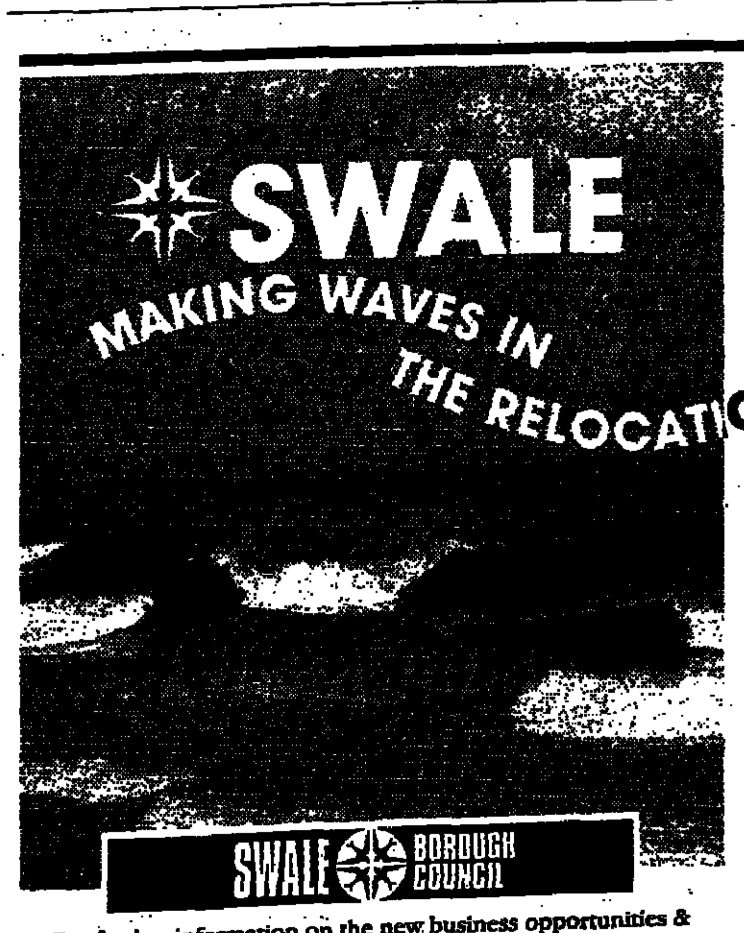
Further improvements are in the pipeline for a bypass on the A28 at Sturry and upgrading of the A2. European Union grants will also go into new roads in Thanet.

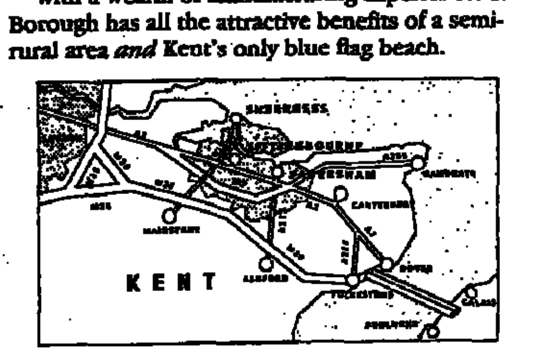
None of this implies special treatment, according to the Department of Transport, which insisted to PA Cambridge Economic Consultants that east Kent had to stand in the same queue as all 108 local authorities in England. The tide of money flowing in this direction appears to tell a different story, however.

Jon Barrett, Kent's director of inward investment, must feel hopeful that such largesse will extend to further bottlenecks. He picks out remaining problems with north-south access along the A28. Local links off main routes also need strengthening if smaller towns are to benefit rather than see waggons - and eventually trains - racing through from London to the tunnel, leaving nothing but cracked ceilings *and a dose of pollution*.

A stop rather than an faster route could have the biggest local impact, however. The Ashford International Terminal is likely to be the biggest single factor in transforming the area apart from the tunnel, although the network of access roads to the undersea link will be a useful bonus for Folkestone and Dover.

The very success of the region will also bring new problems. Canterbury is already working out an intensive traffic management scheme to *ease congestion*. Towns like Ashford will face the same problem as economic development blossoms.





HRM: big hat - no cattle?

Sue Fernie and David Metcalf

Human resource management (HRM) has been the buzz-phrase in personnel in the last decade. All the management journals are awash with words such as "commitment", "employee involvement", "profit sharing", and "merit pay".

Unfortunately, virtually no HRM professional, and few outsiders, have stood back and asked "what has all this activity achieved"? Our research shows that the description of personnel specialists as having "big hat, no cattle" - lots of pretensions but few results - is absolutely right.

Fortunately a survey covering over 2,000 workplaces has recently become available for analysis. This nationally representative survey – the Workplace Industrial Relations Survey – contains detailed information on companies using the new and the old style industrial relations. We have used the survey to see whether or not HRM practices and new industrial relations deliver better management-employee relations than their more traditional counterparts.

Managers responsible for personnel matters were asked to rate management-employee relations on a seven-point scale, ranging from very good to very poor. Six different aspects of HRM were analysed - the role of the personnel manager, industrial relations procedures, payment systems, work flexibility, employee involvement and the status of the workforce. The results will be bitterly disappointing to HRM enthusiasts. Almost none of their techniques appear to improve management-employee relations.

Perhaps the most stunning findings concern the role of the personnel specialists and directors themselves. One-fifth of workplaces have a personnel specialist. Those workplaces have much worse relations between management and labour than those without. One objection to this finding is that the arrow of causation goes the other way. Workplaces with a poor climate might need the specialist personnel managers. We investigated this possible explanation but it was not supported by the evidence.

Systems which link pay to performance of either the individual worker or the individual company have grown in leaps and bounds in the last few years. These pay systems are an integral part of HRM – promoting the individual interest over the collective. Now a quarter of all workplaces have job evaluation schemes and merit pay. And a half have some form of profit sharing or employee share ownership scheme. Yet not a single one of these systems appear to improve the climate of employee-management relations.

HRM also emphasises the importance of a multi-skilled, flexible labour force. Yet where management has attempted to reduce demarcation and promote new work patterns the climate is worse than where no such attempts were made. This hardly suggests high quality personnel management.

Employee involvement and commitment are supposed to be improved by providing workers with a voice. Yet neither the existence of joint consultative committees nor performance appraisals, which should provide a good feedback between management and workers, improves the climate.

Climate *is* improved where work teams meet at least once a month to discuss their performance in problem solving groups such as "quality circles". By contrast, mere team briefing meetings or simply cascading information down the hierarchy results in a worse climate. It is clear that proper communication has to be a two-way process.

HRM workplaces are more likely to treat their manual and non-manual employees in a similar fashion – the "single status" policy. We studied seven different aspects of such policies covering, for example, pay, clocking-on, the availability of free or subsidised meals and pensions. On all but one of these indicators of single status companies which practiced them had a worse climate of industrial relations than those that did not.

We also studied how union strength and structure influences relations between management and labour. A weak union is the worse of all worlds. Workplaces with strong unions and those without unions both have better relations than workplaces where management simply recognises the union for collective bargaining.

The results of our research suggest that it is time for the HRM professionals to evaluate what they have achieved. The question needs to be asked why employee involvement, "single status" policies, new systems linking pay to individual performance and – particularly – the specialisation of the personnel function have failed to deliver better management-employee relations.

Sue Fernie and David Metcalf are in the Centre for Economic Performance, London School of Economics. A fuller version of the paper is available free from Sue Fernie, Room H800, London School of Economics, Houghton Street, London WC2A 32AE.

Rank One = *Most senior executive below rank of director in:*	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median (Basic year earlier) £	Median Total money reward £	Median (Total year earlier) £	Upper quartile Basic salary £	Upper quartile Total money reward £	% with company car
Legal advice	35,434	35,934	43,485	(44,200)	43,485	(44,583)	51,891	52,993	68.2
General management	30,000	30,977	35,785	(36,008)	35,926	(36,920)	42,101	44,072	83.6
Company secretariat	30,296	31,100	37,860	(36,830)	38,000	(37,806)	47,190	47,930	87.3
Finance & accounting	28,994	29,723	33,488	(32,725)	34,992	(33,742)	40,000	41,982	82.9
Surveying/construction	28,003	28,005	31,008	(27,725)	31,008	(27,725)	33,722	34,613	76.9
Marketing	28,990	30,223	33,280	(33,000)	35,963	(34,697)	38,983	39,950	87.4
Advertising & PR	26,738	27,394	33,520	(34,572)	33,520	(34,572)	41,045	42,996	73.3
Data processing	27,500	28,225	32,802	(31,367)	33,630	(31,950)	38,378	38,500	79.7
Sales	27,000	27,500	31,356	(30,306)	32,430	(31,841)	37,400	38,000	87.5
Distribution	24,309	25,805	29,355	(30,500)	31,070	(32,000)	37,800	39,357	82.6
Personnel	27,079	27,500	33,054	(32,100)	34,100	(32,726)	39,984	42,000	80.4
Administration	26,306	27,249	30,233	(30,730)	30,233	(31,499)	38,713	39,238	71.0
Planning	26,268	27,350	30,615	(30,126)	30,615	(30,126)	36,348	36,348	72.0
Research & development	26,377	26,415	29,000	(29,500)	29,348	(29,987)	33,295	34,447	70.7
Purchasing	25,679	26,473	30,442	(29,160)	31,260	(30,000)	36,013	36,589	80.3
Engineering	25,556	26,292	30,473	(29,346)	30,785	(29,968)	34,863	35,083	76.8
Management services	26,250	26,250	29,000	(29,320)	29,000	(29,320)	34,174	35,481	86.7
Production	24,104	24,509	28,150	(27,500)	29,114	(28,403)	34,135	35,044	78.2
Quality assurance	23,025	23,434	27,270	(27,270)	27,965	(27,609)	32,117	32,886	69.5
All Rank-One execs	26,700	–	31,536	(31,000)	–	(–)	37,809	–	80.0

The table is drawn from the six-monthly Reward management salary survey available from Reward, Diamond Way, Stone Business Park, Staffordshire ST15 OSD; tel (0)785 813566. Reward points out that the sample fluctuates, so an apparent fall in a salary may be a statistical quirk. Scientific and technical posts, previously quoted separately are now included with research and development. The lower-quartile figures refer to individuals who would be a quarter way up from the foot of a ranking, medians to those ranked halfway and upper-quartile to those a quarter way down from the top.

To allow for increases between the collection of data and April 1, Reward says the pay figures should be increased by 0.4%, and by a further 0.2% for each month thereafter. Regional percentage variations from the overall median of £31,536 were: London 20.2, Eastern Counties -8.5, North East -7.5, N. Ireland -1.3, North West -8.0, Scotland 9.5, South East 1.8, South West -2.8, West Midlands -2.5.

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هكذا من الاصل

SIB

Capital Standards

The Capital Standards Department within the Securities and Investments Board (SIB) is responsible for the development and monitoring of UK prudential standards which meet the UK's EC obligations and reflect wider international developments. A managerial position has arisen within the department.

The initial focus of the role will be on policy in relation to financial regulation of overseas firms engaged in investment business in the UK. This will involve discussions and negotiations with overseas regulators, assessment of overseas regulatory regimes and extensive liaison with SROs. The successful applicant will be involved in policy development through preparation of papers and discussions inside and outside SIB.

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The ability to express ideas fluently both orally and in writing is essential as is attention to detail and the ability to analyse complex issues. Candidates should have negotiating skills, be practical, flexible and able to demonstrate personal authority, tact and diplomacy. Fluency in a second EC language would be helpful.

Interested applicants should in the first instance contact Anna Williams at Michael Page City, Page House, 39-41 Parker Street, London, WC2B 5LH, for an information pack. Telephone 071 831 2000. Closing date: 21st April, 1994.

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In addition to the above technical experience candidates must be graduates and able to demonstrate a high degree of numeracy, dynamism, drive and self motivation.

Long term career prospects within the international structure of the bank are excellent and the package will include a competitive basic salary, bonus and the full range of financial sector benefits.

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ACCOUNTANCY COLUMN

'True and fair' debate moves to the insurance sector

Chris O'Brien looks at the implications of an EC directive due for implementation next year

Truth and fairness have been a requirement for most company accounts for over 40 years, but it will be a new challenge for life assurance companies in 1995 when the EC Insurance Accounts Directive is at last implemented.

With little time to go, there is still debate among accountants, and also actuaries, on how to achieve "true and fair" in an industry characterised by long-term contracts, uncertainty, and high initial costs which are recouped by subsequent revenue.

In the past, life assurance companies' accounts have used the figures in the financial statements submitted to DTI – the "DTI Returns" – which are geared to ensuring they remain solvent. Here the actuary compares the value of a company's assets with the value of its liabilities from all the policies on its books. He has to allow for adverse deviations in investment returns, rates of mortality, and must test a number of extreme circumstances, such as a 25 per cent drop in the value of shares. This is fine for protecting policyholders, but is likely to lead the accountant to say that the liabilities are overstated if the new objective of the accounts is that they be true and fair.

The problems are greatest for proprietary companies which are reporting profits to their shareholders. The "statutory solvency method", described above, will typically understate profits for a growing company as unreported profits are being built up, to be released later, for example when bonuses are paid at the time a policy matures. And the writing of new policies, with high expenses, typically depresses profits as a result of the regulations underlying the DTI Returns.

How can we be more realistic? What many life assurance companies are now focusing on is the "embedded value". To calculate this, actuaries first make an estimate of the future stream of statutory solvency profits expected to arise from the policies already written, using assumptions about future mortality, investment returns, policies lapsing, etc. Then these profits, lasting 25 years or more, are discounted to the present. To cope with the uncertainty about the future assumptions such as lapses, the discount rate may be increased to reflect this. The present value of these profits is known as the embedded value.

This is a capital measure which is a good indicator of the company's progress in improving profits. It is important information for management, and providing incentives to increase embedded value is generally good for shareholders.

However, the difficulties come when it is proposed that the increase in the embedded value constitutes profit. Actuaries have been looking at the principles underlying accounts, one of which is that profits should reflect the past and not future performance of the firm.

This ties in with the ED Directive which requires profits to have been "made", UK law that profits be "realised", and also the principles of the Accounting Standards Board.

The difficulty for the accounts is that the embedded value includes profits from future performance, i.e. the insurance and investment management services which the company provides for its policyholders in future years.

Basically there are two parts to the embedded value. First there are the profits that have been made (in accounting terms) from services already provided to policyholders but not passed to the shareholders because of the way the solvency rules work. This is the "Shareholders' Accrued Interest". Second, we have the discounted value of profits expected to be made from future services on policies already written. True and fair accounting requires the former, but not the latter, to be taken into account.

However, since embedded values are important to shareholders, there is merit if they are shown in company accounts, though only as supplementary information rather than implying that they represent profits which have been made.

How can we determine the Shareholders' Accrued Interest in a away which is true and fair? One suggestion is the "accruals method", put forward as an experimental approach, though it has attracted only limited support.

This method basically calculates the Shareholders' Accrued Interest by subtracting the value of estimated profits relating to future services from the embedded value. However, the technique to achieve this – "planned profit margins" – has been criticised by many accountants and actuaries as too subjective.

Such margins are typically not planned and cannot be verified; neither can they easily be applied to with-profits business. Along with other problems about the treatment of risks and tax rates, it is not easy to see the result being true and fair. The disparity of views has drawn together some life assurance companies in an attempt to design an accounting method capable of encompassing both embedded values and the accruals method. Another task is to ensure that this can be expressed in the accounting format prescribed by the directives.

These proposals have yet to be presented, but it is hard to see how they can overcome the many concerns already expressed about both accruals and embedded values.

So where is the solution? In fact it is not too difficult; we can revert to calculating assets and liabilities but avoid the artificialities of the statutory solvency method. This approach is called the Earned Profits method, which I presented to the Institute of Actuaries last month. It is based on a set of accounting principles specifically adapted to the nature of the life assurance business. In particular:-

- Provisions should be assessed prudently but without "hidden reserves".
- Prudence requires that the liability on a policy should not generally be less than the surrender value.
- Where the shareholders have an interest in future bonuses, then monies already held for bonuses should be partly attributed to shareholders.
- Future losses expected on existing policies should be capitalised, but future profits should not.
- Initial expenses such as commission should be matched against corresponding revenue, as where the policyholder forgoes an allocation to units in the first two years, to produce a deferred acquisition cost asset.
- The going concern principle to be applied.

This approach is consistent with the ASB's standards, and fits conveniently with the EC directive. It means that the increase in the excess of assets over liabilities, the Earned Profit, reflects what the company has earned in the year. It equates to what policyholders have paid for the services which the company has provided, less the costs incurred.

The earned profits method avoids the artificialities of profits reported under the statutory solvency method. For with-profits business there is no longer a markedly high profit in the last year of a policy when the terminal bonus is paid; the effect is accrued over the term. For unit-linked business the artificial loss arising from high initial expenses in the first year is eliminated.

The Association of British Insurance is currently drafting an accounting practice which will be a modification of the statutory solvency method. Based on a calculation of assets and liabilities, it should recognise, for example, that the provisions required by the solvency test for the expenses should the company be closed to new business are inconsistent with the "going concern" principle.

It is to be hoped that the constraints of the DTI's solvency rules are replaced by ordinary accounting principles applied to life assurance as in the Earned Profits method. The outcome will be an application of both actuarial and accounting techniques, which is surely the right way forward for life assurance accounts to show a true and fair view.

The author is valuation actuary at Royal Life Insurance

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Interested applicants should write with a detailed CV, enclosing details of current remuneration, to Mark Gilbert at the address below.

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LONDON STOCK EXCHANGE

MARKET REPORT

Early share gains wiped out in nervous trade

By Terry Byland,
UK Stock Market Editor

The shadow of the US securities markets fell across London yesterday afternoon, when share gains achieved in the first half of the session were speedily eliminated. UK stocks came back sharply as Wall Street opened lower and bond markets showed nervousness while awaiting reports of a speech by Mr Alan Greenspan, chairman of the Federal Reserve Board, to bankers in California.

Trading volume in equities was disappointing in a market now back to genuine investment activity after completion of tax year-end activity. However, many investment managers continued to concentrate on preparing reports for their trustees on fund performances over the first quarter of the year.

The market opened slowly behind a stable trading day in New York and remained close to overnight levels following news of higher increases than expected in both industrial production and manufacturing output. However, initial firmness in UK government bonds helped the Footsie to move ahead by 12 points to 3,143.5.

This early confidence vanished as soon as the New York markets opened. With the Dow Average down 14 points and US Federal bonds also lower in early trade, the gain on the Footsie was quickly replaced by a modest fall. Selling was light but buyers withdrew.

At the close, the FT-SE Index was 2.5 off at 3,129, with the FT-SE Mid 250 Index down 13.9 at 3,764.2. Total Seaq volume of 715.1m shares was down by nearly one quarter from the previous session. But on Wednesday, the first day of the new tax year in the UK, share volume was inflated by heavy tax-related trading. Stock Exchange statistics showed that Wednesday's equity business was worth £2bn in retail, or customer, worth; this puts the session among the most active, in terms of underlying customer business, of the past 12 months.

Account Dealing Dates		
*First Dealings: Mar 28	Apr 11	Apr 25
Option Declarations: Apr 7	Apr 21	May 12
Last Dealings: Apr 8	Apr 22	May 13
Account Day: Apr 18	May 3	May 23

*New time dealings may take place from two business days earlier.

Traders expressed disappointment with London's reaction to Wall Street, which was sharper than seen in other European markets. The session appeared to indicate that London is finding difficulty in de-coupling itself from worries about the interest rate policies of the Federal Reserve.

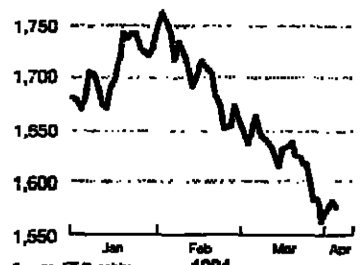
The rise of 0.8 per cent in domestic manufacturing output and of 0.6 per cent in manufacturing output last month, although taken quietly in equities, further challenged confidence in prospects for an early cut in domestic base rates and left UK stocks to react to easier trends in UK bonds later in the session.

With the Bundesbank policy council not due to meet until next week, markets have little choice but to focus on the US Federal Reserve. Hence last evening's nervousness ahead of Mr Greenspan's speech in San Francisco.

The final dip in the FT-SE Index was greater than appeared because the Index took in strong performances from the blue chip oil stocks as well as several other big names, including ICI and Reuters. The oil sector benefited from a welcome rally in crude oil prices and a very positive annual meeting of shareholders in British Petroleum.

But utility stocks fell heavily as the market continued to look for strong dividend growth in the manufacturing sectors. Interest-related sectors also found themselves left on the shelf yesterday, reflecting doubts on base rate hopes and easier trends in some consumer stocks reflected disappointment with the progress of high street spending.

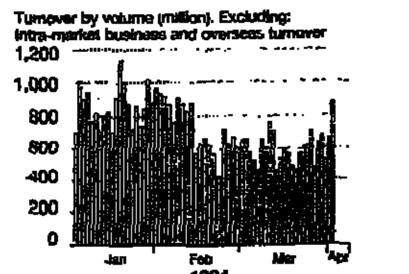
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3129.0	-2.5
FT-SE Mid 250	3764.2	-13.9
FT-SE-A 350	1588.0	-2.4
FT-SE-A All-Share	1578.41	-2.11
FT-SE-A All-Share yield	3.68	(3.67)
FT Ordinary index	2474.9	-2.0
FT-SE-A Non Fins p/e	20.60	(20.73)
FT-SE100 Fut Jun	3137.0	+4.0
10 yr Gilt yield	7.61	(7.59)
Long gilt/equity yld ratio:	2.16	(2.15)

Best performing sectors

1 Oil, Integrated +2.6
2 Mineral Extraction +2.1
3 Engineering, Vehicles +2.0
4 Oil Exploration +1.1
5 Life Assurance +1.0

Worst performing sectors

1 Electricity -2.6
2 Gas Distribution -2.1
3 Water -1.8
4 Utilities -1.7
5 Other Financial -1.2

Strong rebound by BP

A firmer oil price combined with an upbeat annual meeting helped British Petroleum shares to recover from recent uncertainty and to end the day as the top performer in the FT-SE 100 Index.

The price of one-month Brent crude, which slumped to $13.15 just after the recent OPEC meeting decided that output levels would be maintained, had recovered to $14.75 by the close of dealing in London yesterday. Dealers in the US said Metallgesellschaft, the German oil and metals company which was very badly hit after buying into oil futures just before the market tumbled, had finally liquidated its long position.

Meanwhile Lord Ashburton, BP's chairman, told the agm the company's financial health and balance sheet had improved greatly over the past year and it was beating its targets on debt, profit and investment in spite of oil price weakness. Credit Lyonnais Laing shifted its recommendation from 'underweight' to over-weight' arguing that the shares would hit 500p over the next 12 months and Lehman Brothers raised forecasts for several US oil stocks. BP bounced 14 to 371p on turnover of 11m shares Other leading oil groups took heart from the statement. Shell Transport gained 11 to 682p while Enterprise recovered 10 to 428p.

Recs pressured

Regional electricity companies suffered as selling by one securities house and disappointing news from one company highlighted their outperformance of the broader market.

Scottish Hydro-Electric said its hydro output had dropped by 26 per cent on 1992-1993. Analysts said problems were specific to the company and depressed hydro output resulting from low rainfall in Scotland had been expected. However it combined with a reiterated sell note from UBS to focus attention on the sector. The sector has outperformed the FT All-Share on most timescales yet concern remains ahead of a distribution review expected in July.

Scottish Hydro slipped 6 to 376p and Scottish Power fell 14 to 401p helping to lead the sector down. PowerGen hit a low for the year before closing 12 off at 507p Eastern Electricity fell 22 to 663p, and Norweb 27 to 664p.

Forte hit

Hotels group Forte gave up 8 to 239p, in heavy trading of 7.9m, making it the day's sharpest loser among FT-SE 100 constituents, after Hoare Govett reiterated its negative stance just one week before the group's results.

The broker denied reports in the market that it had downgraded profit expectations and said it was maintaining its current estimate of £88m. The range of predictions is £86m to £126m. But Hoare Govett yesterday joined other broking firms which have highlighted the possible negative impact of the new FRS5 accounting standard which deals with off balance sheet debt.

Bargain hunters helped Rank Organisation shrug off recent weakness and the shares closed 12 ahead at 398p, on volume of 2.1m.

Shares in British Gas slipped on talk of a switch carried out by one leading UK investment bank and continuing concern over the regulator's decision on the rate of return from the company's pipelines. News that the privatised company is to halve the number of its shops and cut 1,700 staff had already been anticipated. The stock, which has underperformed since the start of the year, slid 6½ to 295½p with 13m traded.

News and financial information group Reuters Holdings moved forward 22 to 1949p in spite of a weak US market. Dealers said a big institutional sell order of between 2m and 3m shares, equivalent to around £50m, had been completed in early trading. The was also also some buying ahead of a Europe-wide presentation to analysts in Geneva on April 25.

Pharmaceuticals group Wellcome, which had held up throughout the day, fell 8 to 557p shortly before the close. News leaked into the market that the full text of the Anglo-French Concord study which undermined prospects for AZT, the anti-AIDS treatment, would be published today. AZT is Wellcome's second biggest selling product.

News of an increase in passenger traffic for March boosted British Airways. The shares moved 7 ahead to 422p.

The 10 per cent improvement in profits at Highland Distillers to £23.4m left the shares trailing 12 to 403p.

Among stores, Boots improved 7 to 526p, following recommendation from Smith New Court as the market awaited news on the sale of the group's pharmaceutical division.

Brewing group Bass closed 3 ahead at 532p, after it refused to comment on recent speculation that it was about to bid for Dutch brewer Grolsch.

Building group Blue Circle fell 12 to 325p on dilution concerns after the company decided to call in its capital bond.

Shares in engineering group James Wilkes closed 17 ahead at 177p, following an announcement of an agreed bid from 29.5 per cent stake holder conglomerate Suter.

British Steel put on 4½ to 146p, with James Capel reported to have been the buyers. Turnover closed at 9.2m.

News that British Aerospace was to join forces with Dasa of Germany and French group Aerospatiale in a research programme to investigate the viability of a successor to Concorde left the market unimpressed. The shares closed 3 lighter at 477p, in thin trading.

Mr Chris Avery at Paribas said: "The results are too far in the future to worry us now. The industry is more likely to develop a 600 seat jet rather than son of Concorde."

Other big moves

Chemicals group Wardle Storeys dropped 27 to 435p after disappointing interim results that prompted analysts to cut forecasts by around £1m to £6.5m for the full year.

Cantab Pharmaceuticals, the bio-technology company, improved 17 to 435p on encouraging press comment.

Neotronics fell 32 to 84p on a profits warning and financial group Invesco slid 22 to 172p on disappointing.

MARKET REPORTERS: Joel Kibazo, Peter John,

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (46).

BANKS (1) Mitsubishi Tst. & Banking, BUILDING & CNSTRN (2) Hewden-Stuart, Regent, CHEMICALS (2) Bayer, Hoechst, DISTRIBUTORS (1) Dennans Elect., DIVERSIFIED INDLS (2) Ropner, Do. 'A', ELECTRNC & ELECT EQUP (3) Arcolectric 'A', Mitsubishi Electric, TDK, ENGINEERING (8) EXTRACTIVE INDS (2) Glencar, Monarch Res., FOOD MANUF (2) Assoc. Brit. Foods, Sentry Farming, HOUSEHOLD GOODS (2) Portmeirion Potts, Waterford Wedgwood, INSURANCE (2) Hogg Group, Steel Burrill Jones, INVESTMENT TRUSTS (4) INVESTMENT COMPANIES (1) MEDIA (4) Euromoney Pubs, Holmes Marchant, Metal Bulletin, Metro Radio, OIL EXPLORATION & PROD (1) Ranger, PHARMACEUTICALS (1) Cantab Pharms., PRTNG, PAPER & PACKG (1) Huntasprint, RETAILERS, FOOD (2) Morrison (Wm) Supermarkets, Do. Prf., RETAILERS, GENERAL (2) Goldsmiths, Oliver, TEXTILES & APPAREL (2) Alexandra Workwear, Toray, TRANSPORT (1) Air London, AMERICANS (2)

NEW LOWS (128).

GILTS (2) OTHER FIXED INTEREST (2) [illegible]

EQUITY FUTURES AND OPTIONS TRADING

A slow day in the derivatives markets picked up towards the close when London turned nervous as Wall Street started the new session on the downward tack, writes Terry Byland. The June contract on the Footsie had an erratic day, opening at a modest discount to fair value, which is now estimated at between 3 and seven points.

Early deals saw the June contract fall away fairly sharply to a low for the session of 3,106 as investors backed away from the latest data on the domestic economy. But buyers then appeared and at 3,154, the contract provided a good lead for equities, showing a premium of around 12 points to cash. later, when Wall Street unsettled UK markets, the contract faded to a close of 3,137, still an 8 point premium. trading volume, taking in business after the official close, reached just over 14,000 contracts.

Business in traded options jumped to 42,227 contracts from 29,165 on the previous day. The FT-SE contract took pride of place with 18,242 contracts against 14,071. The Euro FT-SE contract was also active, trading 6,269 contracts. Individual contracts were headed by Hanson at 1,987 and other blue chips to attract interest included BAT Industries (1,932).

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3132.0	3137.0	+4.0	3154.0	3106.0	14289	54563
Sep	3157.0	3156.0	+5.0	3167.0	3157.0	30	896
Dec	-	3167.0	4.0	-	-	0	10

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3770.0	3780.0	-3.0	3800.0	3770.0	665	2485

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3775.0	3765.0	+10.0	3775.0	3775.0	1	786

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3127) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,800	57¾	-¼
Abbey National†	1,900	467	-5
Albert Fisher	872	62	
Allied-Lyons†	1,500	561	
Anglian Water	986	517	-8
Argos	960	343	+1
Argyll Group†	2,300	251	
Arjo Wiggins†	1,300	281	-2
Assoc. Brit. Foods†	214	593	+10
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

	Apr 7	% chg on day	Apr 6	Apr 5	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1801.58	+0.1	1800.86	1607.85	1347.89	1.85	2367.49	1259.39
■ Regional indices								
Africa (15)	2511.00	+0.1	2508.46	2549.57	1739.82	5.24	3440.80	1468.27
Australasia (6)	2520.80	-3.4	2490.47	2424.26	1756.76	1.44	3013.80	1545.90
North America (11)	1702.34	-0.7	1714.37	1714.09	1221.36	0.55	2038.65	1177.42

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	60	13
Other Fixed Interest	8	6	1
Mineral Extraction	70	51	81
General Manufacturers	157	141	374
Consumer Goods	33	50	109
Services	89	122	307
Utilities	5	35	6
Financials	106	86	188
Investment Trusts	110	37	324
Others	52	45	48
Totals	631	633	1451

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Apr 7	Day's chge%	Apr 6	Apr 5	Mar 31	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3129.0	-0.1	3131.5	3118.2	3086.4	2821.8	3.88	6.25	19.27	28.18	1158.47
FT-SE Mid 250	3764.2	-0.4	3778.1	3783.0	3762.9	3084.3	3.26	5.32	23.20	24.87	1375.57
FT-SE Mid 250 ex Inv Trusts	3781.4	-0.4	3797.9	3795.5	3776.5	3101.4	3.38	5.73	21.73	25.18	1377.56
FT-SE-A 350	1588.0	-0.1	1590.4	1593.0	1570.4	1401.2	3.74	6.03	20.07	13.42	1203.25
FT-SE SmallCap	1912.29	-	1911.39	1903.70	1909.97	1539.26	2.93	4.14	28.70	10.64	1339.44
FT-SE SmallCap ex Inv Trusts	[illegible]										
FT-SE-A ALL-SHARE	1578.41	-0.1	1580.52	1573.23	1561.97	1364.98	3.68	5.90	20.54	13.02	1215.82

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Apr 7	Apr 6	Apr 5	Mar 31	Mar 30	Yr ago	*High	*Low
Ordinary Share	2474.9	2472.9	2462.6	2459.2	2445.5	2180.8	2713.6	2439.2
[illegible]								

Ordinary Share hourly changes

[illegible]

SEAQ bargains / Equity turnover (£m)† / Equity bargains† / Shares traded (mil)†

[illegible]

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
Pilot Inv	☐	149½	—	163	125½	8.4	133.4	-6.9
Warrants	☐	55	—	69	44	–	–	–
C	☐	110	—	117	102	–	108.1	-1.7
Primadona		287	—	283	267	2.1	318.9	15.7
Ptarmigan Intl	☐	239	—	279	232	0.4	258.8	7.7
Warrants		86	—	149	85	–	–	–
RIT Capital	☐	173	-½	189	170	0.8	219.4	21.1
2¼pc Cv Ln 2000		£173½	—	£189½	£170½	1.4	–	–
Radiotrust	☐	85	—	88	70	–	88.3	-10.6
Rights & Iss Inc		165	—	184	163	7.0	–	–
Cap		449	—	535	440	2.3	522.1	15.2
Riv & Merc Am Inc		111xd	—	121	111	8.8	–	–
Cap	☐	34	—	38	31½	–	44.9	24.3
Warrants		13½	—	17	13	–	–	–
Riv & Mer Ext	☐	125	—	147	128	7.2	123.6	-8.5
Warrants		38	—	49	29	–	–	–
Zero Div Pf		113½	-½	116½	113½	–	–	–
Riv & Mer Geared		86	—	116	83	9.9	–	–
Pfd Cap 1999		28½	—	35	26½	–	37.6	23.6
Riv & Merc Smlr	☐	148	—	178	142	3.4	145.2	-1.9
Warrants		54	—	77	47	–	–	–
Riv & Merc Tst Inc	☐	115xd	—	127	114	10.0	–	–
Cap	☐	125	+1	159	122	–	208.6	40.4
Warrants		33	—	40	32	–	–	–
Do. Stpd Prf		154½xd	+½	163	154	4.6	–	–
River Plate Inc	☐	109	+1	113	106	10.2	–	–
Cap		98	—	119	95	–	167.8	41.6
Warrants		5	—	11	5	–	–	–
Zero Div Pf		83¼	—	85¾	83¼	–	–	–
St Andrew		337xd	—	349	280	2.9	331.9	-1.5
St David's Inc		125	—	142	124	14.9	–	–
Cap		188	—	223	188	–	302.1	37.8
Zero Prf		144	—	151½	144	–	–	–
Saracen Value	☐	90	—	98	89	–	94.7	5.0
Warrants	☐	29	—	43	29	–	–	–
SPLIT Inc		198	—	200	170	23.1	–	–
Cap		1128	—	1235	1103	–	1313.0	14.1
Schroder Split Inc	☐	124	—	127	120	7.3	–	–
Capital	☐	29	—	37	27½	–	–	–
Zero Div Pf		107	-1	113½	107	–	–	–
Scot American	☐	166	+½	183	162	3.5	182.7	9.1

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	162.3	163.6	172.5	+4.10	0.00
AIB Grofund Equity	5	232.9	235.6	249.3	-1.80	1.79
AIB Grofund Euro	5	199.7	201.2	211.8	+0.70	0.00
AIB Grofund Ext Balanced	3	114.3	115.4	118.6	-2.20	1.41
AIB Grofund Gilt	3	77.27	77.29	78.65	+0.06	4.39
AIB Grofund Japan	5	189.1	190.9	200.9	+1.20	0.00

Capel-Cure Myers UT Mngt Ltd - Contd.
Exempt Fund

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Yield	2	1321.00	1330.00	[illegible]	-2.00	4.13
(Accum Units)	2	[illegible]	1800.00	[illegible]	-3.00	4.13

Capital House Unit Tst Mgrs (1200)F
Capital House, Festival Square, Edinburgh.
031-228 4477 Dealing 0800 [illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group

Eagle Star Life Assurance Co Ltd

Hill Samuel Life Assur. Ltd

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)	Bid Price	Offer Price	+ or -	Yield Gross
Managed	468.5	493.1	+0.30	-
Equity	577.0	607.4	+0.10	-
Property	288.3	303.5	-0.05	-
International	478.2	503.8	+3.00	-
Japanese	131.7	138.7	-0.10	-
Asia Pacific	183.9	193.6	+1.80	-
European	132.4	139.4	+2.40	-
American	180.3	189.8	+0.10	-
Fixed Interest	366.7	385.5	-0.20	-
Index-Linked Gilt	196.7	207.1	-0.40	-
Cash	225.3	237.2	-	-
Life Funds (Second Series)				
Managed	130.4	137.3	+0.10	-
Equity	124.6	131.2	-	-
Property	121.6	128.1	+0.10	-
International	148.5	156.4	+1.00	-
Japanese	132.5	139.5	-0.20	-
Asia Pacific	181.1	190.7	+1.80	-
European	131.6	138.6	+2.40	-

Standard Life Assurance Company

3 George St, Edinburgh EH2 2XZ 031-225 2552

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	700.9	737.8	+0.8	-
Equity	987.6	1039.6	-0.2	-
Fixed Interest	393.1	413.8	-1.2	-
Index-Linked	207.8	218.8	-0.2	-
International	633.4	666.8	+3.2	-
North American	143.8	151.2	-0.1	-
Far East	177.5	186.9	+1.1	-
European	174.5	183.7	+1.2	-
Property	349.1	367.5	-	-
Cash	263.6	277.5	+0.1	-
Pension Managed	983.1	1034.9	+0.8	-
Pension Stock Exchange	221.7	233.4	+0.2	-
Pension Equity	1418.4	1494.2	-0.9	-
Pension Fixed Int	538.6	567.6	-1.6	-
Pension Index-Linked	287.4	302.6	-0.3	-
Pension International	896.1	943.3	+4.9	-
Pension Property	467.3	491.9	+0.1	-
Pension Cash	407.8	429.3	+0.1	-
Pension Nth American	179.2	188.7	-0.1	-
Pension Far East	143.0	150.6	+0.9	-
Pension European	209.9	221.0	+1.5	-

Windsor Life Assur Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
High Inc. Fixed Int.	132.4	139.6	-	-
Hedged Fund	406.7	428.1	-	-
Index-Linked Gilt	201.6	212.1	-	-
Initial Plan Units	364.8	384.0	-	-
Investor Units	327.9	345.2	-	-
Kiwi Key (Managed)	697.4	718.0	-	-
8th Amer Fd	261.0	274.7	-	-
Open Plan Mngd Fd	218.2	229.7	-	-
Pacific	1068.2	1124.4	-	-
Property	234.2	246.5	-	-
Takeover Fund	355.4	374.1	-	-
UK Equity	271.9	286.1	-	-
UK Tracker Life	152.2	160.2	-	-
UK Tracker Accum Ct	159.2	167.6	-	-
Gresham Mngd Life II	695.0	732.4	+2.4	-
Gresham Mngd Pension II	156.1	164.5	-	-
Gresham Mngd Life I	688.3	725.3	+2.4	-
Gresham Mngd Pension I	861.5	907.8	-	-

Woolwich Life Assurance Co Ltd

1-3 Gloucester Way, Redhill, Surrey RH1 1NH 0737 776800

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fd		159.4	+2.1	-

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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INVESCO International Limited - Contd.

Jupiter Tyndall (Jersey) Ltd

Lloyds Bank Trust Co (CI) Mngrs

Lombard Odier (Jersey) Ltd

Management International (Jersey) Ltd

Royal Bank of Canada Inti Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Warburg Asset Management Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (a)

Bank Von Ernst & Cie AG

Dolphin Intl Investments (u) SICAV

Eagle Star - Global Assets Fund (u)

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd (u)

Gartmore Luxembourg SA (u)

Jupiter Tyndall Global Fund

Liberty ALL-STAR World Fund

Lloyds Bank Luxembourg

Sarasin Investment SICAV (u)

Schroder International Selection Fd (u)

Scottish Equitable Intl Fund SICAV (u)

Templeton Global Strategic SICAV (u)

LUXEMBOURG (REGULATED)(**)

Asian Development Equity Fund

Credit Agricole

Credit Lyonnais Rouse (Bermuda) Ltd

Espirito Santo Investment Mngmt (SICAV)

Europa Value Fund (a)

Fidelity Investment (CI) Ltd

Lloyds Bank Luxembourg (u)

Lombard Odier Invest (u)

Merrill Lynch Asset Management

Scudder, Stevens & Clark - Contd.

Target International Ltd

Templeton Emerging Asia

Templeton Worldwide Investments

US Pacific Stock Fund (u)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Alliance Capital

Barclays Diversified Fund

Daiwa International Capital Mgmt (UK) Ltd

Global Asset Management

Lloyds Bank International (Bahamas) Ltd

Merrill Lynch Asset Management

International Fund Administration Ltd

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Johnson Fry Securities Ltd

Portuguese Investment Fund Ltd

Putnam Emerging Funds Ltd

Real Estate Strategies Ltd

Regent Fund Management Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Management Limited

Thornton Investment Management Ltd

Tribune Global Investments

Ultra Collaris Fund Ltd

Yamaichi Capital Management (Guernsey) Ltd

MANAGED FUNDS NOTES

MARKETS REPORT

Talks push lira higher

The Italian lira rose sharply yesterday in response to increasing evidence of co-operation between the partners of the Freedom Alliance, victorious in last week's election, writes Philip Gawith.

The Italian currency was bolstered by the meeting of Mr Umberto Bossi, head of the Northern League, and Mr Gianfranco Fini, the third main partner in the alliance.

Contact was also re-established between the league and Mr Silvio Berlusconi, leader of the alliance. Earlier this week markets had been unsettled by comments from Mr Bossi saying that Mr Berlusconi was unfit to head the next government. This led to a break-off in talks between the two parties.

Helped by the improved political sentiment, the lira broke through L960 against the D-Mark. Traders said the breach of this important technical level triggered covering of short lira positions. This accelerated the lira's advance with the currency finishing in London nearly 11 lira firmer at L954 from L965 at Wednesday's close.

Elsewhere the dollar ended the day strongly, driven up by rumours of a possible tightening of monetary policy, and technically-driven buying.

After slipping during the morning to a low of DM1.7085 against the D-Mark, the US currency rallied in the afternoon to finish in London at DM1.7181 from DM1.7151 on Thursday.

Sterling, meanwhile, showed little response to encouraging output data showing industrial production rose by 0.8 per cent in February. The pound finished in London at DM2.5204 from DM2.5173. It was virtually unchanged against the dollar, at $1.467 from $1.4678 on Wednesday.

■ *The gyrations of the lira were the focus of attention with traders describing it as a "wild day".* The D-Mark started the day a bit firmer, helped by reports of a smaller than anticipated rise in unemployment in March - 20,000 compared to a 25,000 forecast - and French industrial production falling by 0.2 per cent in January, against expectations of a 0.2 per cent increase.

When reports of the Bossi/Fini meeting emerged, however, the lira started to climb, putting pressure on the D-Mark.

Elsewhere in Europe, the D-Mark's performance was mixed. Against the French franc it was stronger, closing at FFr3.426 from FFr3.420. The peseta, however, continued its recent rebound to close at Pta80.75 against the D-Mark from Pta80.89.

The Portuguese escudo finished slightly weaker at Es101.5 from Es101.2. *Earlier it had risen to a seven-week high at Es100.95 per D-Mark.*

The Bank of Portugal maintained its recent policy of high short-term rates, injecting one-day funds at 14 per cent, keeping the emergency overnight lending rate at 13 per cent, and also providing five-day funds at 13 per cent.

Overnight rates jumped up *to 80 per cent from a close of 30-40 per cent on Thursday.* Dealers said investors were buying overnight funds to take speculative positions against the escudo.

■ German call money rates eased below 6 per cent after the Bundesbank allocated DM7bn of securities repurchase funds in a seven-day tender set at 5.73 per cent, the prevailing repo rate. The added liquidity helped call money fall to 5.75/5.90 per cent from 5.85/6.05 per cent on Wednesday.

Since January, the Bundesbank has had only limited options for adding extra liquidity to the market due to the effective abolition of section 17 funds.

Previously, public authority funds held at the Bundesbank under section 17 of the Bundesbank Act had been transferred to the money market to relieve short-term liquidity shortages. It was the first time since these changes that the Bundesbank had set a short-term tender.

Mr Steve Hannah, head of research at IBJ International, said the repo was a "money market management operation, rather than any important policy signal." He said a lowering of the discount rate this month was unlikely given the trade-weighted weakness of the D-Mark following the recent upsurge in the dollar.

There was little activity in the futures market with the June three month euromark contract finishing one basis point weaker at 94.53.

In France, meanwhile, the central bank left its intervention rate unchanged at 5.90 per cent at a securities repurchase tender held to inject funds into the money market today.

In the UK discount market the Bank of England provided late assistance of £45m after earlier putting £620m liquidity *into the market. The shortage was forecast at £850m.*

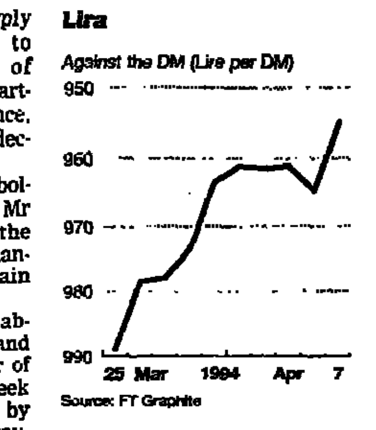
The recent rally in interest rate futures petered out with *the June short sterling contract finishing the day unchanged at 94.50.*

■ *The rally in the dollar ahead of the speech by Mr Alan Greenspan, chairman of the Fed, proved misplaced when he confined his comments to consumer confidence.*

The June eurodollar contract was unchanged yesterday at 95.54, implying short term interest rates of 4.46 per cent in June compared to 3.87 per cent - 4 per cent now.

Lira

Against the DM (Lire per DM)



Source: FT Graphite

■ **Pound in New York**

Apr 7	—Latest—	—Prev. close—
£ spot	1.4710	1.4685
1 mth	1.4692	1.4666
3 mth	1.4663	1.4636
1 yr	1.4586	1.4574

POUND SPOT FORWARD AGAINST THE POUND

Apr 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6920	-0.0186	823 - 017	17.7582	17.6663	17.6862	0.3	17.6826	0.2	-	-	113.3
Belgium	(BFr)	51.9465	-0.1053	141 - 789	52.0025	51.7990	51.9615	-0.3	52.0265	-0.6	52.0715	-0.2	114.3
Denmark	(DKr)	9.8608	-0.0056	559 - 656	9.8943	9.8300	9.871	-1.2	9.8843	-1.0	9.894	-0.3	114.1
Finland	(FM)	8.0977	-0.0378	878 - 078	8.1620	8.0610	-	-	-	-	-	-	82.0
France	(FFr)	8.6326	+0.0252	267 - 384	8.6380	8.5998	8.6378	-0.7	8.6457	-0.6	8.6689	-0.4	108.8
Germany	(DM)	2.5204	+0.0031	192 - 216	2.5307	2.5107	2.5217	-0.6	2.5227	-0.4	2.5122	0.3	122.1
Greece	(Dr)	370.051	+0.965	558 - 544	370.544	368.818	-	-	-	-	-	-	-
Ireland	(I£)	1.0405	+0.0006	393 - 419	1.0430	1.0378	1.0414	-1.0	1.0429	-0.9	1.0482	-0.7	102.2
Italy	(L)	2403.75	-25.12	183 - 567	2435.64	2398.22	2409.95	-3.1	2422.65	-3.2	2468.55	-2.7	78.2
Luxembourg	(LFr)	51.9465	-0.1053	141 - 789	52.0025	51.7990	51.9615	-0.3	52.0265	-0.6	52.0715	-0.2	114.3
Netherlands	(Fl)	2.8280	+0.0042	274 - 304	2.8308	2.8159	2.8294	-0.2	2.8292	0.0	2.8265	0.1	117.9
Norway	(NKr)	10.9230	+0.0161	178 - 282	10.9684	10.8765	10.9174	0.6	10.9299	-0.3	10.9211	0.0	94.5
Portugal	(Es)	255.699	+0.677	318 - 079	256.275	253.969	256.674	-4.6	258.619	-4.6	-	-	95.8
Spain	(Pta)	203.486	-0.089	346 - 630	204.634	202.989	203.993	-3.0	204.976	-2.9	208.436	-2.4	85.8
Sweden	(SKr)	11.6044	-0.0526	949 - 138	11.6918	11.5757	11.6254	-2.2	11.6614	-2.0	11.7904	-1.5	77.1
Switzerland	(SFr)	2.1267	+0.0012	272 - 301	2.1315	2.1222	2.1288	1.0	2.1225	1.2	2.0946	1.6	117.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.3029	+0.0012	023 - 036	1.3057	1.2992	1.304	-1.0	1.3066	-0.8	1.3058	-0.2	-
SDR†	-	0.950298	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4656	+0.0007	656 - 675	1.4702	1.4639	-	-	-	-	-	-	-
Brazil	(Cr)	1445.91	+26.54	541 - 641	1450.00	1419.00	-	-	-	-	-	-	-
Canada	(C$)	2.0336	+0.0059	327 - 348	2.0405	2.0327	2.0341	-0.2	2.0381	-0.5	2.05	-0.8	87.1
Mexico	(New Peso)	4.9284	-0.0004	230 - 337	4.9330	4.8547	-	-	-	-	-	-	-
USA	($)	1.4670	-0.0008	665 - 675	1.4720	1.4665	1.4652	1.5	1.4622	1.3	1.4555	0.8	66.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0597	-0.0209	582 - 611	2.0839	2.0582	2.0582	0.9	2.0558	0.7	2.0539	0.3	-
Hong Kong	(HK$)	11.3355	-0.0068	308 - 401	11.3737	11.3309	11.3225	1.4	11.3171	0.7	11.268	0.6	-
India	(Rs)	46.0180	-0.0053	004 - 355	46.1730	46.0004	-	-	-	-	-	-	-
Japan	(Y)	153.778	+0.288	689 - 867	154.090	152.870	153.388	3.0	152.618	3.0	149.013	3.1	187.1
Malaysia	(M$)	3.9411	-0.0105	390 - 432	3.9625	3.9380	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5839	-0.01	814 - 864	2.6002	2.5814	2.5858	-1.3	2.5911	-1.1	2.5997	-0.6	-
Philippines	(Peso)	40.4160	-0.0208	821 - 498	41.5109	40.0561	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5019	-0.0026	997 - 040	5.5201	5.4997	-	-	-	-	-	-	-
Singapore	(S$)	2.3032	-0.0063	017 - 047	2.3137	2.3017	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.2141	+0.0268	112 - 170	5.2272	5.1916	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2543	-0.0111	445 - 641	7.2790	7.2445	-	-	-	-	-	-	-
South Korea	(Won)	1189.08	+1.15	801 - 014	1192.06	1187.69	-	-	-	-	-	-	-
Taiwan	(T$)	38.6775	+0.0248	569 - 980	38.7900	38.6589	-	-	-	-	-	-	-
Thailand	(Bt)	37.1445	-0.0043	171 - 718	37.2580	37.1171	-	-	-	-	-	-	-

†SDR rate for Apr 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0600	-0.0065	575 - 625	12.0825	12.0185	12.0785	-1.8	12.1072	-1.6	12.1187	-0.5	102.7
Belgium	(BFr)	35.4100	+0.0905	000 - 200	35.4240	35.2500	35.48	-2.4	35.59	-2.0	35.79	-1.1	103.9
Denmark	(DKr)	6.7217	-0.0004	207 - 227	6.7249	6.6930	6.7374	-2.8	6.7619	-2.4	6.8047	-1.2	103.0
Finland	(FM)	5.5199	-0.0229	149 - 249	5.5481	5.4987	5.5266	-1.5	5.5344	-1.1	5.5461	-0.5	76.5
France	(FFr)	5.8845	+0.0201	825 - 865	5.8865	5.8495	5.898	-2.3	5.9142	-2.0	5.936	-0.9	103.6
Germany	(D)	1.7181	+0.003	178 - 183	1.7183	1.7085	1.7212	-2.1	1.7256	-1.7	1.726	-0.5	104.0
Greece	(Dr)	252.250	+0.8	000 - 500	252.500	251.050	255.55	-15.7	263	-17.0	290.5	-15.2	70.1
Ireland	(I£)	1.4098	-0.0016	085 - 110	1.4165	1.4097	1.4067	2.6	1.4013	2.4	1.3864	1.7	-
Italy	(L)	1638.55	-16.28	780 - 930	1652.25	1631.00	1645	-4.7	1657.45	-4.6	1697.3	-3.6	77.8
Luxembourg	(LFr)	35.4100	+0.0905	000 - 200	35.4200	35.2500	35.48	-2.4	35.59	-2.0	35.79	-1.1	103.9
Netherlands	(Fl)	1.9284	+0.0039	280 - 287	1.9287	1.9160	1.9312	-1.7	1.9352	-1.4	1.9395	-0.6	103.5
Norway	(NKr)	7.4458	+0.0148	448 - 468	7.4620	7.4000	7.4585	-2.1	7.4818	-1.9	7.5208	-1.0	94.5
Portugal	(Es)	174.300	+0.55	100 - 500	174.500	172.700	175.215	-6.3	176.83	-5.8	181.975	-4.4	94.0
Spain	(Pta)	138.710	+0.01	660 - 760	138.760	136.130	139.24	-4.6	140.22	-4.4	143.31	-3.3	81.1
Sweden	(SKr)	7.9103	-0.0318	065 - 140	7.9536	7.8790	7.9353	-3.8	7.9781	-3.4	8.1013	-2.4	82.0
Switzerland	(SFr)	1.4510	+0.0015	505 - 515	1.4515	1.4430	1.4514	-0.4	1.4514	-0.1	1.4382	0.9	104.1
UK	(£)	1.4670	-0.0008	665 - 675	1.4720	1.4665	1.4652	1.5	1.4622	1.3	1.4555	0.8	88.5
Ecu	-	1.1260	-0.0016	257 - 262	1.1315	1.1262	1.1233	2.8	1.1189	2.5	1.1099	1.4	-
SDR†	-	1.39608	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	+0.0009	980 - 000	1.0000	0.9980	-	-	-	-	-	-	-
Brazil	(Cr)	985.625	+18.59	620 - 630	985.630	985.625	-	-	-	-	-	-	-
Canada	(C$)	1.3864	+0.0047	861 - 866	1.3870	1.3837	1.3882	-1.5	1.3927	-1.8	1.4064	-1.6	83.6
Mexico	(New Peso)	3.3595	-0.001	570 - 620	3.3635	3.3570	3.3605	-0.4	3.3623	-0.3	3.3697	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.6
Pacific/Middle East/Africa													
Australia	(A$)	1.4040	-0.0135	035 - 045	1.4174	1.4033	1.4052	-1.1	1.4099	-1.7	1.4205	-1.2	86.7
Hong Kong	(HK$)	7.7270	-0.0005	265 - 275	7.7275	7.7265	7.73	-0.5	7.736	-0.5	7.7607	-0.4	-
India	(Rs)	31.3688	-0.0012	675 - 700	31.3700	31.3675	31.4338	-2.5	31.5688	-2.6	-	-	-
Japan	(Y)	104.825	+0.25	800 - 850	104.850	104.050	104.69	1.5	104.38	1.7	102.38	2.3	148.0
Malaysia	(M$)	2.6865	-0.0058	860 - 870	2.6910	2.6795	2.6795	3.1	2.664	3.4	2.7265	-1.5	-
New Zealand	(NZ$)	1.7614	-0.0059	603 - 624	1.7687	1.7569	1.7627	-0.9	1.7672	-1.3	1.7891	-1.6	-
Philippines	(Peso)	27.5500	-0.025	000 - 000	27.7000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	502 - 506	3.7506	3.7500	3.7511	-0.2	3.7534	-0.3	3.7649	-0.4	-
Singapore	(S$)	1.5700	-0.0035	695 - 705	1.5718	1.5695	1.5694	0.5	1.5689	0.3	1.5875	0.2	-
S Africa (Com.)	(R)	3.5543	+0.0198	535 - 550	3.5550	3.5435	3.5708	-5.6	3.5968	-4.8	3.6898	-3.8	-
S Africa (Fin.)	(R)	4.9450	-0.005	400 - 500	4.9500	4.9400	4.979	-8.3	5.039	-7.6	-	-	-
South Korea	(Won)	810.550	+1.2	100 - 000	811.000	808.500	813.55	-4.4	817.05	-3.2	835.55	-3.1	-
Taiwan	(T$)	26.3650	+0.03	600 - 700	26.3700	26.3400	26.4305	-3.0	26.531	-2.5	-	-	-
Thailand	(Bt)	25.3200	+0.01	100 - 300	25.3300	25.3100	25.4	-3.8	25.525	-3.2	26.045	-2.9	-

†SDR rate for Apr 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Apr 6. Base average 1990=100

■ **OTHER CURRENCIES**

Apr 7	£	$
Hungary	152.672 - 152.772	103.970 - 104.070
Iran	2366.00 - 2572.60	1749.00 - 1750.00
Kuwait	0.4387 - 0.4378	0.2978 - 0.2983
Poland	32848.1 - 32878.0	22388.0 - 22398.0
Russia	2585.12 - 2600.99	1768.00 - 1773.00
U.A.E.	5.3941 - 5.4052	3.6715 - 3.6735

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	16.62	4.851	2.004	4628	5.446	21.02	492.2	391.7	22.33	4.098	1.925	3.915	2.824	298.1	2.508
Denmark	(DKr)	52.69	10	8.756	2.556	1.056	2438	2.869	11.07	259.3	206.4	11.76	2.159	1.014	2.063	1.488	156.0	1.321
France	(FFr)	60.18	11.42	10	2.919	1.206	2785	3.277	12.65	296.2	235.7	13.44	2.466	1.158	2.356	1.699	178.2	1.509
Germany	(DM)	20.62	3.913	3.426	1	0.413	954.0	1.123	4.333	101.5	80.76	4.603	0.845	0.397	0.807	0.582	61.03	0.517
Ireland	(I£)	49.90	9.473	8.293	2.421	1	2309	2.718	10.49	245.6	195.5	11.14	2.045	0.961	1.954	1.409	147.7	1.252
Italy	(L)	2.161	0.410	0.359	0.105	0.043	100.	0.118	0.454	10.64	8.465	0.483	0.089	0.042	0.085	0.061	6.398	0.054
Netherlands	(Fl)	18.36	3.486	3.052	0.891	0.368	849.8	1	3.860	90.39	71.93	4.100	0.753	0.353	0.719	0.519	54.37	0.461
Norway	(NKr)	47.57	9.030	7.906	2.308	0.953	2201	2.591	10	234.2	186.4	10.62	1.950	0.916	1.863	1.343	140.8	1.193
Portugal	(Es)	20.32	3.856	3.376	0.986	0.407	940.2	1.106	4.271	100.	79.59	4.537	0.833	0.391	0.795	0.574	60.15	0.510
Spain	(Pta)	25.53	4.846	4.242	1.238	0.512	1181	1.390	5.366	125.7	100.	5.700	1.046	0.491	1.000	0.721	75.58	0.640
Sweden	(SKr)	44.78	8.501	7.442	2.172	0.897	2072	2.439	9.414	220.4	175.4	10	1.835	0.862	1.753	1.265	132.6	1.123
Switzerland	(SFr)	24.40	4.632	4.055	1.184	0.489	1129	1.329	5.129	120.1	95.56	5.449	1	0.470	0.955	0.689	72.24	0.612
UK	(£)	51.95	9.861	8.633	2.520	1.041	2404	2.829	10.92	255.7	203.5	11.60	2.129	1	2.034	1.467	153.8	1.303
Canada	(C$)	25.54	4.848	4.244	1.239	0.512	1182	1.391	5.369	125.7	100.0	5.703	1.047	0.492	1	0.721	75.61	0.641
US	($)	35.41	6.722	5.885	1.718	0.710	1639	1.928	7.444	174.3	138.7	7.907	1.451	0.682	1.387	1	104.8	0.888
Japan	(Y)	337.8	64.12	56.13	16.38	6.769	15631	18.39	71.00	1663	1323	75.42	13.84	6.502	13.22	9.538	1000.	8.472
Ecu		39.87	7.568	6.625	1.934	0.799	1845	2.171	8.381	196.2	156.2	8.903	1.634	0.767	1.561	1.126	118.0	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5813	0.5827	+0.0016	0.5832	0.5805	40,056	90,286
Sep	0.5804	0.5810	+0.0008	0.5810	0.5804	421	2,598
Dec	-	0.5795	+0.0004	-	-	6	116

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9601	0.9627	+0.0026	0.9640	0.9576	26,683	51,954
Sep	0.9669	0.9688	+0.0022	0.9690	0.9669	227	2,140
Dec	-	0.9730	-	0.9730	-	172	820

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6899	0.6917	+0.0017	0.6923	0.6895	24,799	33,787
Sep	0.6915	0.6925	+0.0017	0.6930	0.6908	52	311
Dec	-	0.6928	+0.0017	-	-	1	46

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4648	1.4664	+0.0016	1.4680	1.4636	14,298	46,400
Sep	1.4630	1.4650	+0.0036	1.4650	1.4630	30	824
Dec	-	1.4610	-	1.4610	-	2	32

EMS EUROPEAN CURRENCY UNIT RATES

Apr 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.17088	-0.00051	-1.18	2.99	-
Ireland	0.808628	0.800372	+0.001088	-1.02	2.83	7
Belgium	40.2123	39.8906	+0.0345	-0.80	2.60	6
Germany	1.94964	1.93431	-0.00096	-0.79	2.59	-
France	6.53883	6.62201	+0.01129	1.27	0.50	-11
Spain	154.250	156.305	-0.107	1.33	0.44	-9
Portugal	192.854	195.930	+0.226	1.59	0.18	-11
Denmark	7.43679	7.56931	-0.00764	1.78	0.00	-12
NON ERM MEMBERS						
Greece	264.513	283.865	+0.055	7.32	-5.16	-
Italy	1793.19	1856.51	-9.67	3.53	-1.69	-
UK	0.786749	0.769806	+0.001496	-2.15	4.02	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.400	6.83	6.73	6.84	-	0.03	0.30
1.425	4.34	4.45	4.78	-	0.24	0.73
1.450	2.02	2.51	3.06	0.09	0.79	1.49
1.475	0.41	1.19	1.82	0.97	1.91	2.63
1.500	-	0.44	0.97	3.01	3.61	4.26
1.525	-	0.11	0.46	5.48	5.77	6.23

Previous day's vol., Calls 498,896 Puts 441,412. Prev. day's open int., Calls 6,060 Puts 11,313

WORLD INTEREST RATES

MONEY RATES

April 7	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	-	6⅛	6[illegible]	6[illegible]	6[illegible]	7.40	5.00	-
week ago	-	6[illegible]	6[illegible]	6[illegible]	6[illegible]	7.40	5.00	-
France	6[illegible]	6[illegible]	6[illegible]	6	5[illegible]	5.90	-	7.75
week ago	6[illegible]	6[illegible]	6[illegible]	6[illegible]	6	5.90	-	7.75
Germany	5.83	5.75	5.70	5.60	5.43	6.75	5.25	5.73
week ago	5.50	5.75	5.70	5.60	5.43	6.75	5.25	5.76
Ireland	6	6[illegible]	6[illegible]	6[illegible]	6[illegible]	-	-	6.75
week ago	6[illegible]	6[illegible]	6[illegible]	6[illegible]	6[illegible]	-	-	6.75
Italy	8[illegible]	8[illegible]	8[illegible]	8[illegible]	8[illegible]	-	8.00	8.27
week ago	8[illegible]	8[illegible]	8[illegible]	8[illegible]	8[illegible]	-	8.00	8.40
Netherlands	5.53	5.44	5.31	5.27	5.25	-	5.25	-
week ago	5.53	5.44	5.33	5.31	5.31	-	5.25	-
Switzerland	4[illegible]	4[illegible]	4[illegible]	4[illegible]	4	6.625	4.00	-
week ago	4[illegible]	4[illegible]	4[illegible]	4[illegible]	4[illegible]	6.625	4.00	-
US	3[illegible]	3[illegible]	3[illegible]	4[illegible]	4[illegible]	-	3.00	-
week ago	3[illegible]	3[illegible]	3[illegible]	4[illegible]	4[illegible]	-	3.00	-
Japan	2[illegible]	2[illegible]	2[illegible]	2[illegible]	2[illegible]	-	1.75	-
week ago	2[illegible]	2[illegible]	2[illegible]	2[illegible]	2[illegible]	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3[illegible]	4	4[illegible]	4[illegible]	-	-	-
week ago	-	3[illegible]	3[illegible]	4[illegible]	4[illegible]	-	-	-
US Dollar CDs	-	3.56	3.82	4.14	4.71	-	-	-
week ago	-	3.56	3.65	4.00	4.49	-	-	-
SDR Linked Ds	-	3[illegible]	3[illegible]	3[illegible]	4	-	-	-
week ago	-	3[illegible]	3[illegible]	3[illegible]	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6[illegible]; 3 mths: 6[illegible]; 6 mths: 6[illegible]; 1 year: 6[illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.14	94.06	-0.06	94.17	94.07	20,056	79,598
Sep	94.37	94.31	-0.06	94.38	94.31	7,657	45,144
Dec	94.58	94.51	-0.07	94.58	94.51	7,369	34,744
Mar	94.69	94.62	-0.09	94.72	94.62	5,462	41,999

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.56	95.56	-	95.56	95.56	15	4936
Sep	94.99	94.97	-0.01	94.99	94.99	46	2196
Dec	94.39	94.38	0.01	94.39	94.39	170	1447
Mar	94.10	94.11	-0.01	94.13	94.10	30	874

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.56	94.53	-0.01	94.56	94.52	30032	230556
Sep	94.83	94.81	-0.01	94.85	94.80	15495	164506
Dec	95.00	94.97	-0.02	95.00	94.95	25480	156348
Mar	95.10	95.07	-0.02	95.10	95.05	15076	158297

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.87	91.97	0.10	92.02	91.87	4297	56274
Sep	92.13	92.20	0.09	92.24	92.13	1533	24636
Dec	92.24	92.31	0.09	92.33	92.24	770	38295
Mar	92.26	92.31	0.07	92.31	92.25	692	5554

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.05	96.05	-0.01	96.08	96.01	3148	34049
Sep	96.14	96.13	-0.01	96.15	96.13	483	8205
Dec	96.12	96.09	-0.01	96.12	96.09	503	3811
Mar	95.96	95.96	-0.01	95.96	95.96	25	381

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.99	93.97	-0.02	94.00	93.97	597	10605
Sep	94.19	94.18	-0.01	94.20	94.18	284	11563
Dec	94.30	94.30	-0.03	94.30	94.29	27	6697
Mar	94.33	94.31	-0.03	94.33	94.30	47	1706

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.56	95.55	-	95.59	95.54	162,299	477,524
Sep	95.00	94.98	-0.01	95.03	94.97	152,585	369,954
Dec	94.40	94.38	-0.01	94.43	94.38	129,925	292,776

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.99	95.99	+0.01	96.01	95.99	3,772	42,589
Sep	95.49	95.50	-	95.51	95.49	891	9,348
Dec	95.01	95.01	-	95.02	95.01	236	3,808

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.12	0.40	0.58	0.09	0.09	0.11
9475	0.04	0.23	0.41	0.26	0.17	0.19
9500	0.01	0.12	0.26	0.48	0.31	0.29

Est. vol. total, Calls 1438 Puts 980. Previous day's open int., Calls 213776 Puts 151337

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9600	0.13	0.25	0.28	0.08	0.12	0.19
9625	0.04	0.13	0.16	0.24	0.25	0.32
9650	0.02	0.04	0.07	0.47	0.41	0.48

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 489 Puts 3554

UK INTEREST RATES

LONDON MONEY RATES

Apr 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	5 - 4[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Certs of Tax dep. under £100,000 is [illegible]pc. Deposits withdrawn for cash [illegible]pc.
Ave. tender rate of discount [illegible]pc. ECGD fixed rate Stlg. Export Finance. Make up day March 31, 1994. Agreed rate for period Apr 26, 1994 to May 24, 1994, Scheme II & III [illegible]pc. Reference rate for period Mar 1, 1994 to Mar 31, 1994, Scheme IV & V [illegible]pc. Finance House Base Rate [illegible]pc from Apr 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.52	94.50	-	94.54	94.50	9436	115106
Sep	94.19	94.18	-0.01	94.29	94.18	7840	82736
Dec	94.04	94.00	-0.03	94.06	93.98	11644	114171
Mar	93.63	93.60	-0.02	93.66	93.59	1992	46072

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.15	0.22	0.19	0.15	0.42	0.69
9475	0.06	0.13	0.12	0.31	0.58	0.87
9500	0.02	0.07	0.07	0.52	0.77	1.07

Est. vol. total, Calls 2731 Puts 3626. Previous day's open int., Calls 150817 Puts 159386

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.00	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6.00	•Smith & Williamson Secs	5.25
•Henry Ansbacher	5.25	•Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	•Guinness Mahon	5.25	•United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	•Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	•Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
•Brown Shipley	5.25	Julian Hodge Bank	5.25		
Citibank NA	5.25	•Leopold Joseph & Sons	5.25		
Clydesdale Bank	5.25	Lloyds Bank	5.25		
The Co-operative Bank	5.25	Meghraj Bank Ltd	5.25		
Coutts & Co	5.25	Midland Bank	5.25		
Credit Lyonnais	5.25	* Mount Banking	6		
Cyprus Popular Bank	5.25	NatWestminster	5.25		
		•Rea Brothers	5.25		

• Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

صكنا من الاجل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 7 / Sch)

BELGIUM/LUXEMBOURG (Apr 7 / Frs.)

DENMARK (Apr 7 / Kr)

FINLAND (Apr 7 / Mks)

FRANCE (Apr 7 / Frs.)

GERMANY (Apr 7 / Dm.)

ITALY (Apr 7 / Lire)

NETHERLANDS (Apr 7 / Fls)

NORWAY (Apr 7 / Kroner)

SPAIN (Apr 7 / Pts.)

SWEDEN (Apr 7 / Kronor)

SWITZERLAND (Apr 7 / Frs.)

PACIFIC

JAPAN (Apr 7 / Yen)

HONG KONG (Apr 7 / H.K.$)

MALAYSIA (Apr 7 / MYR)

SINGAPORE (Apr 7 / S$)

AUSTRALIA (Apr 7 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Apr 7 / Can $)

4 pm close

MONTREAL (Apr 7 / Can $)

6 pm close

AFRICA

SOUTH AFRICA (Apr 7 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, April 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Coal	9.0m	964	+81	Fujiko	3.6m	728	+37
Toray	5.5m	700	+5	Taiheiyo	3.4m	615	+42
M'bishi Rayon	3.7m	394	+20	Mitsui Matushima	3.4m	670	+25
Japan Mtl	3.7m	660	+40	Ricoh	3.3m	870	-5
Teijin	3.6m	518	+29	Toyobo	3.3m	504	+34

INDICES

	Apr 7	Apr 6	Apr 5	1994 High		1994 Low	
South Korea							
KoreaCmpEx(4/1/80)**	863.36	863.04	(c)	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	322.51	322.16	319.03	358.31	31/1	319.18	4/4
Sweden							
AffarsvarldnGen (1/2/37)	1474.1	1468.4	1424.5	1693.90	31/1	1409.60	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1341.93	1336.67	1328.43	1423.34	31/1	1288.64	2/3
SBC General (1/4/87)	1002.10	993.06	984.17	1089.29	31/1	973.35	2/3
Taiwan							
WeightedPr.(30/6/66)**	5475.68	5481.86	(c)	6454.52	6/1	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1224.74	(c)	1201.95	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	18610.7	18859.1	17500.96	28883.80	13/1	12880.70	24/3
WORLD							
MS Capital Int (1/1/70)$	605.3*	602.5	600.6	641.09	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1457.70	1448.03	1426.65	1540.19	31/1	1393.60	2/3
Euro Top-100 (28/6/90)	1249.76	1239.29	1221.68	1311.01	2/2	1202.49	2/3
JCapeDrgns (31/12/88)	(u)	305.29	293.34	385.18	5/1	280.26	21/3
Barings Emerg.(7/1/92)	149.94	149.15	147.35	182.72	14/2	147.35	5/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	2136.0	2131.0	-5.0	2153.0	2119.0	24,537	27,416
May	2136.0	2132.0	-6.0	2151.0	2127.0	320	8,919
Jun	2121.0	2115.0	-5.0	2138.0	2106.5	311	21,575

Open interest figures for previous day.

** Sat Apr 2 : Taiwan Weighted Price 5420.98; Korea Comp Ex 859.37. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 7 - 2202.57 +17.68

US INDICES

Dow Jones	Apr 6	Apr 5	Apr 4	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3679.73	3675.41	3593.35	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	99.91	99.86	99.77	105.61 (21/1)	99.77 (4/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1651.08	1647.11	1606.94	1862.29 (2/2)	1606.94 (4/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	196.08	198.00	192.99	227.86 (3/1)	192.99 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3722.34 (3698.15) Low 3643.16 (3626.02) (Theoretical♣)
Day's high 3695.27 (3680.30) Low 3658.12 (3593.35) (Actual♣)

Standard and Poors	Apr 6	Apr 5	Apr 4	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	448.05	448.29	438.92	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	524.03	524.78	513.34	580.59 (2/2)	513.34 (4/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial♥	42.69	42.33	41.39	46.58 (31/1)	41.39 (4/4)	48.40 (20/9/93)	8.64 (1/10/74)
NYSE Comp.	248.66	248.41	243.14	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	440.98	440.98†	434.13	487.89 (2/3)	434.13 (4/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	750.72	750.95	727.41	803.93 (18/3)	727.41 (4/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Mar 31	Mar 25	Mar 18	Year ago
Dow Jones Ind. Div. Yield	2.81	2.70	2.62	3.04
	Apr 6	Mar 30	Mar 23	Year ago
S & P Ind. Div. yield	2.48	2.51	2.39	2.49
S & P Ind. P/E ratio	23.87	23.55	24.83	26.13

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	447.10	447.85	+0.80	448.75	446.80	82,718	184,210
Sep	450.00	449.75	+0.95	450.00	449.75	643	6,761
Dec	-	451.50	-	451.60	-	64	4,913

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	6,626,700	59	+1⅛
Gen Motors	4,649,600	58⅝	+1½
Woolworth	4,406,000	13⅞	-⅜
Airtouch	4,109,700	22¼	-⅝
Chrysler	3,346,700	54⅝	+⅜
Philip Morris	3,019,400	48¾	-¼
Am Express	2,968,100	29¾	+1⅛
RJR Nabisco	2,831,300	6⅜	+⅛
Wal-Mart	2,711,900	25⅝	-⅝
ATT	2,375,800	51¼	-⅝

■ TRADING ACTIVITY

● Volume (million)

	Apr 6	Apr 5	Apr 4
New York SE	300.769	365.971	342.852
Amex	16.404	18.675	20.854
NASDAQ	293.824	330.808	313.722
NYSE			
Issues Traded	2,789	2,813	2,806
Rises	1,271	2,157	371
Falls	950	323	2,110
Unchanged	578	333	325
New Highs	19	6	3
New Lows	80	105	649

† Correction. * Calculated at 16.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 7

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	14⅛	AAR	0.48	3.0	29	56	16	15¾	15⅞	-⅛
16⅞	14	A L Labs A x	0.18	1.1	36	58	15⅞	15¾	15⅞	
65½	58¼	AMP	1.68	2.8	21	3097	60⅞	60⅛	60⅞	-⅛
72¾	55½	AMR			28	3037	59	58	58⅝	-⅛
5	3⅝	ARX			15	103	4½	4⅜	4½	
56⅛	41½	ASA	2.00	4.8	27	591	42⅛	41⅝	41¾	
30⅝	25⅜	AbbtL	0.76	2.8	15	7879	27⅛	26	26⅞	+⅛
13¾	11⅜	Abitibi Pr	0.50	4.0	8	71	12¾	12½	12⅝	
13¾	11⅛	Acptncele			21	10	11¾	11¾	11¾	+⅛
31	24½	ACE Ltd x	0.40	1.4	4	282	28	26⅞	28	+1¼
12½	10⅛	ACM Gvt In x	1.09	9.8		490	11⅛	10⅞	11⅛	+⅛
10⅛	7⅞	ACM GvOpp x	0.80	9.5		28	8⅜	8¼	8⅜	+⅛
10⅝	8⅜	ACM Gvt Sp x	0.96	11.0		288	8¾	8⅝	8¾	+⅛
12	9⅞	ACM Gvt Sc x	1.09	10.6		431	10⅛	10⅛	10⅛	+¼
11¾	8¾	ACM Man x	1.08	11.2		650	9⅝	9½	9⅝	
9¼	8	ACM Managd x	0.72	8.7		18	8¼	8¼	8¼	
10⅝	8¾	AcmeCh	0.44	4.6	11	14	9⅞	9⅝	9⅝	-⅛
8½	7¼	Acme Elect			33	30	7¾	7⅝	7⅝	-⅛
28¾	23	Acordia	0.60	2.2	13	42	27⅛	27	27	-¼
9¼	5¾	Actava	0.36	5.8	2	186	6⅝	6¼	6¼	-½
13⅞	11¼	Acuson			97	134	12⅝	12¼	12⅝	+¼
18⅜	16½	Adams Expr	0.36	2.1	0	88	17⅛	17	17⅛	+⅛
64	46½	Ad Micro	3.00	5.2		61	58½	57	57⅜	-1½
31¾	16¾	AdvMic	3.00	10.6	12	14750	23⅜	20⅛	20⅜	-⅞
6⅞	5⅝	Advest Grp	0.16	2.7	9	90	6⅛	6	6	
[illegible]										

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
96	87¾	Bank Bost	5.44	6.2		5	88	87¾	87¾	
25¾	22⅛	BkBstn	0.88	3.6	10	2139	24¾	24	24¾	+⅝
49¼	47¾	Bk Bostn P	2.98	6.1		4	48⅜	48¼	48⅜	+⅛
59½	49⅞	BankNY	1.80	3.5	9	3939	52¼	50⅞	52⅛	+1⅛
50½	48⅝	BankAm A	3.25	6.6		24	49	49	49	
95	87⅜	BankAm B	6.00	6.8		12	88½	88	88¼	+½
84⅝	69	BnkTst x	3.60	5.0	5	4527	72	70⅛	71⅞	+1
38¼	30	Bclays	1.29	4.1	93	12	31¾	31¼	31¾	
30½	23¼	Bard (C R)	0.56	2.3	20	1063	24¼	23¾	24¼	+¼
31½	29½	Barnes Grp	1.40	4.5	44	97	31⅜	30⅞	31⅜	+⅝
46⅛	39¾	BarnBk	1.44	3.2	10	2925	44¾	43⅞	44¾	+⅞
12½	10⅛	BattMt	0.05	0.4	113	2314	11⅜	11	11⅜	+⅛
53⅞	45¾	Bausch	0.98	2.1	17	1103	46¾	46⅛	46⅝	-⅛
24¾	21⅝	Baxter	1.00	4.3	23	7556	23⅛	22⅛	23⅛	+1
28⅜	23⅝	Bay St Gas	1.42	5.6	15	77	25½	24⅞	25½	+½
22½	20⅜	Bd Tr 1838	1.72	8.4		33	20⅝	d20⅜	20½	
24⅝	18¾	Bear Stns	0.60	2.9	5	4343	20⅞	19⅞	20¾	+⅜
50	48½	BearStPfA x	2.75	5.6		2	49½	49½	49½	
37½	27¾	Bearings	0.64	1.9	23	11	33	32¾	33	

Continued on next page

4 pm close April 7

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
18½	13⅝	SbyR	0.36	2.5	8	553	14⅝	14¼	14⅝	+⅜
27	19¼	Safeway			25	7224	25⅞	25⅝	25⅝	-¼
8⅞	4⅞	SafewayWBB				110	6¼	6	6	-¼
57⅞	50¼	StJoePaper	0.20	0.4	280	350	54¼	53¼	53⅞	-⅝
30¼	28	StJosL&P	1.80	6.0	15	13	30⅛	29⅝	30⅛	+⅛
90	76⅜	StPaul x	3.00	3.8	7	1446	78⅞	78⅛	78⅝	+⅛
9⅝	6⅞	Salant Crp			9	30	7⅞	7¾	7¾	
49⅞	42⅞	Sallie Mae	1.40	3.2	8	1258	43⅝	43⅜	43⅜	-¼
13⅞	11⅞	Salomon Br	0.34	2.7		482	12½	12⅜	12½	+⅛
52¾	44⅝	Salomon	0.64	1.3	6	5202	51¼	50⅜	51⅛	
25	21½	SnDgGE	1.52	6.8	12	469	22½	22⅛	22¼	-¼
10	7½	SantaFeEls	0.18	1.9	8	1376	8¼	7⅞	8¼	+⅛
40	34⅝	SantaFePac	2.80	7.6	17	45	36⅞	36⅛	36⅝	+⅜
28¼	21¾	SanFeP	0.10	0.4	13	1736	24	23⅝	23¾	-⅛
26	20⅞	SaraLee	0.64	3.0	14	7634	22	21⅝	21⅝	-¾
50⅞	44¾	Scana Corp	2.82	6.3	12	363	45	44⅞	45	+⅛
20½	16	Scecrp x	1.42	8.7	11	4617	16⅜	16⅛	16¼	
40½	35½	SchererRP			27	872	35⅞	d35½	35⅝	+⅛
89⅞	54½	SchrPl	1.80	3.1	13	2371	57⅞	56½	57¼	+¼
61½	50¾	Schlmb	1.20	2.3	22	4030	53¼	52½	53	+½
33	25¾	Schwab(C)	0.28	1.0	13	1694	28⅞	27⅞	28½	+½
10¾	8⅛	Schweitzer			29	214	10⅝	10¼	10¼	-¼
38⅞	26¼	SciAtl	0.12	0.4	55	850	28¼	27½	27¾	-⅜
16⅞	13⅞	Scotsman x	0.10	0.7	13	54	14⅛	14	14⅛	+⅛
46¾	40¼	ScottP	0.80	2.0	10	3136	41¼	40½	40½	-⅞
26⅞	18⅝	ScuddrNAsF	0.27	1.0		180	21⅜	20⅝	21⅝	
12⅞	9¾	ScuddrNEuF	0.16	1.5		276	10⅝	10⅜	10⅝	+⅛
18¾	16½	SeaCnB	0.70	4.1	8	33	17	17	17	-½
16⅜	15⅛	SeaC1.4625	1.46	9.1		10	16	15⅝	16	+¼
31	26¼	Seagrm	0.56	2.0	38	2037	28¾	28⅛	28⅝	+⅜
28⅞	23	Seagull En			31	985	24⅝	24⅛	24¼	+⅛
31⅝	27¼	Sealed Air			21	435	28¼	27½	28	+½
55⅛	42⅝	SearsR	1.60	3.4	7	7681	47⅞	46⅝	47⅛	+⅛
13¾	11⅛	Seligm Sel	0.84	6.9		124	12⅛	11¾	12⅛	+⅛

1994 High	Low	Stock	Div	Yld %	P/ E	Sls 100s	High
18¾	16⅛	TNP Enterp	1.63	9.7	16	166	16¾
77⅜	65¼	TRW	1.88	2.6	21	974	71¼
11¾	7⅛	T2 Medcl	0.10	1.0	9	2748	10¾
39⅞	22⅝	Taiwan Fd				234	26⅛
7⅞	5⅞	Taleyind	0.42	6.1	8	684	7¼
12¾	10	Talley Pf	1.00	8.3		7	12
44½	36⅞	Tmbrds	1.68	4.4	19	785	38
18⅝	10⅞	Tandem			3	5378	15¾
49⅞	35⅛	Tandy x	0.60	1.8	13	23809	36½
12¼	10½	Taurus Mun	0.70	5.8		172	12
22⅝	18¾	Taco Energ	0.96	4.9	15	255	19¾
32⅝	23⅝	Tlamx	0.60	2.0	20	1608	30⅞
3⅜	2¼	Telecm			18	28	3¼
26⅝	16⅝	Teldyn	0.80	4.7	12	1665	17⅜
46⅛	34⅝	TeleEspSA	1.05	2.7	7	2518	39¼
78	58⅜	Telmex	1.53	2.6	12	47114	58¾
54¾	44½	Tmplnl	1.00	2.1	39	1133	47½
30⅝	19½	TempltEmMk	0.17	0.7		431	23⅜
8⅞	7	TempltGlob x	0.60	8.4		58	7¼
8	6⅞	TempltGlFd	0.00	8.3		1044	7¼
58¾	51⅛	Tenneco	1.60	2.9	27	2667	54⅞
30	25⅝	Teppco Ptr	2.28	8.3	10	72	27¼
31⅛	23⅝	Teradyne			26	1024	26¾
9⅞	6⅛	Terex	0.06	0.8	1	133	7⅞
8⅞	6¼	Terra Inds	0.08	1.1	21	248	7¼
12⅜	5¾	Tesoro			19	398	10¾
68⅛	61	Texaco	3.20	5.0	14	4039	63⅞
51⅞	50	Texaco C	3.00	5.9		2	50½
39¾	29⅝	Texas Ind	0.20	0.5	49	287	u39¾
89½	61	Txinst x	0.72	0.9	16	5840	82¾
27½	18¾	Texas Pac	0.40	2.1	23	14	19⅜
43⅛	36¼	TxUtil	3.08	8.3	22	6632	37⅛
4⅝	3¼	Textl Inds	1.10	27.5	2	111	4⅛
60⅝	53¼	Textrn	1.40	2.6	12	1502	54⅞
4⅜	4	Thackeray			66	12	4⅛
24¼	14¾	Thai Cap	0.35	2.1		345	16⅜

- U -

- V -

- W -

- X - Y - Z -

- T -

AMEX COMPOSITE PRICES

4 pm close April 7

NASDAQ NATIONAL MARKET

4 pm close April 7

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

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- X - Y - Z -

AMERICA

Profit-taking leaves Dow in retreat

Wall Street

US blue chips retreated yesterday morning in spite of a steady bond market and evidence of a rebound in consumer confidence, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 9.79 lower at 3,669.94, while the more broadly based Standard & Poor's 500 edged 0.06 higher to 448.11. In the secondary markets, the American SE composite was off 0.11 at 440.87. The Nasdaq composite added 1.91 to 752.71 amid continued bargain-hunting in the wake of a big sell-off early in the week.

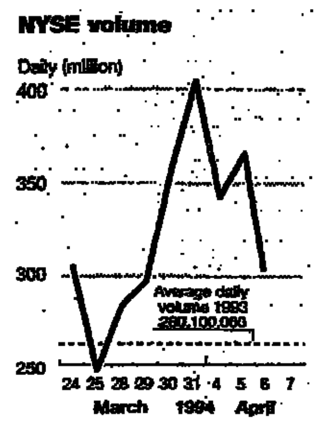
Stocks opened on a weak note, as profit-takers saw opportunities after Tuesday's 82-point jump in the Dow industrials and a smaller rise on Wednesday.

For the most part, there was little to influence sentiment. The bond market was holding steady in spite of speculation over monetary policy triggered by the Federal Reserve chairman, Mr Alan Greenspan, who was speaking to businessmen in San Francisco. He said he thought the country's economic pessimism was unjustified and predicted its jitters would soon be quelled.

The morning was also punctuated by conflicting signs of the economy, neither of which were viewed as particularly significant. The Labor Department reported that initial claims for state unemployment benefit had risen slightly last week, suggesting a slowing of the economy.

Conversely, the leading US store groups provided a positive indication that consumers returned in droves to the shopping malls last month after February's deep freeze. The figures suggested that the economy as a whole may not have lost much steam in the first quarter.

Strong sales data helped lift several of the big retailers. The Gap was near the top of the



NYSE's most active list after posting a 16 per cent increase in business for stores opened at least a year. The stock jumped $2 to $48⅝ on the news.

Dillard Department Stores was in favour after showing a 16 per cent rise in sales. Its share price climbed $1⅝ to $35⅝. But Sears, which improved 14.8 per cent, was not rewarded by the market. The issue slipped $⅛ to $47.

Elsewhere, Wal-Mart added $⅜ to $26¼ and JC Penney inched $¾ ahead.

In the previous session, Caterpillar was resonsible for almost all of Dow's modest gain. Yesterday, it was leading the downturn. The stock sank $2¼ to $117.

On the Nasdaq, Sun Microsystems gained $2⅞ to $25⅞. Merrill Lynch upgraded the stock after the computer workstation supplier posted third-quarter earnings of 60 cents a share, against 47 cents a year earlier.

Canada

Toronto recovered slight early losses by midday in sluggish trade as a measure of confidence returned. The TSE 300 composite index, down more than 18 points at the opening, was 4.62 higher at 4,317.88 by noon in volume of 31.3m shares valued at C$397.12m. Advances led declines 324 to 243 with 297 unchanged.

Eight of Toronto's sub-sectors reported gains, led by transportation, while precious metals suffered the most of six declining sub-indexes.

Active issues included Dia Met Minerals, up another C$1¼ to C$32⅛ on results from its Lac de Gras diamond operation in the Northwest Territories.

Analysts were at a loss to explain a fall in motor components maker Magna International whose B shares fell C$2⅛ to C$67 while the A shares down shed C$1½ to C$66⅞.

Mexico

Equities were little changed in early trading but the general trend remained forward, following Wednesday's 1 per cent gain.

The IPC index was up 7.5 at 2,268.02 in volume of some 9m shares.

Among the risers Telmex had put on 1.2 per cent, while in the construction sector Tribasa was also 1.2 per cent stronger.

EUROPE

Bourses gain ground on relative strength theory

Arguments that bourses have a life independent of Wall Street grew in strength yesterday, *writes Our Markets Staff.*

ZURICH was higher for the third straight day, as financials continued to enjoy their new-found favour, and the SMI index added 30.7 to 2,860.9.

Mr Hans Kaufmann at Bank Julius Baer in Zurich, highlighted comments earlier this week by Mr Markus Lusser, the Swiss National Bank president, that long-term Swiss rates should go back down to January's 4 per cent levels, and that the weak D-Mark, damaging to some Swiss exporters, was a temporary phenomenon.

Mr Kaufmann added that, while foreign demand was still limited, he believed that much of the recent switching of portfolios out of the Swiss market was now complete and that overseas investors were coming to the conclusion that the outlook was better than they had earlier thought.

Among the financials, UBS rose SFr43, or 3.6 per cent, to SFr1,238. Winterthur finished SFr5 ahead at SFr705, after a high of SFr720, in response to its forecast of significantly higher 1993 net profit.

Sulzer registered shares rose SFr45 or 4.4 per cent to SFr1,060 after better-than-expected results. Swissair, omitting a dividend for 1993, was marked SFr20 lower to SFr750.

Hero, whose results disappointed the market earlier in the week, fell SFr25 to SFr650 after a German importer withdrew baby food made by a Spanish subsidiary.

MILAN's rally continued apace as foreign and domestic funds remained buyers, and the Comit index rose 13.86, or 1.9 per cent, to a 45-month high of 746.38.

SG Warburg noted that, if margins were normalised, the market p/e ratio would be only 10 times, and commented that the currency also looked undervalued. It added that the bond market, by trading at almost 3 per cent above Bund yields, was pricing in a lot of bad political news; that irreversible reforms had taken place which meant that the "bad old world" would not return, whatever the political outcome; and that political worries were almost always exaggerated.

Fiat rose L250 or 4.3 per cent to L6,037, on renewed rumours that it planned asset sales, with Toro the favoured candidate. The insurance subsidiary rose L1,116 or 3.4 per cent to L33,865.

Pirelli rose L77, or 2.7 per cent, to L2,939 amid hopes for a link with Stet, which is to be privatised later in the year.

Benetton slid L440 to L27,916 on news it was calling an extraordinary shareholders meeting to obtain approval to place 18m ordinary new shares on foreign markets.

FRANKFURT broke through 2,200 on the Dax index, peaked at 2,218.17 in the post-bourse and receded after Wall Street came in lower. The Ibis-indicated ended at 2,204.46 after rising 10.21 to 2,201.41 on the session, and turnover rose from DM9.1bn to DM10.3bn.

Allianz, the insurer, extended its relative recovery with a rise of DM38 to DM2,703. Carmakers were subdued after Daimler's dividend cut and rights issue news, which left the shares down DM4 to DM868.50 on the session, and receding later to DM862.

Retailers saw cartel office permission for a Kaufhof/Horten merger, and the shares rose DM9 to DM239 and DM10 to DM510 respectively - in defiance of the old adage that, in a takeover bid, only one set of shareholders can win.

PARIS saw the CAC 40 index at a session high of 2,146, before slipping during the afternoon to close off 8.65 at 2,119.57.

There was news of two further rights issues, one from Cerus, the holding company, which came during trading and the other from Cap Gemini Sogeti, the computer services group, after the close.

Cerus, the holding company, fell FFr7.80 to FFr129.00 on a FFr658m rights issue at FFr100 a share to cut its debt, estimated at FFr862m at the end of 1993. Cap Gemini, up FFr8.20 at FFr196.20, said after hours that it planned to raise FFr424m through a rights issue at FFr140 a share.

Crédit Foncier de France, the banking group, climbed FFr37 to FFr1,211 after a better than expected 25 per cent increase in 1993 net profit. On the downside, CarnaudMetalbox lost FFr8.80 to FFr180.50 with its 1993 profits 14 per cent lower.

Oil stocks remained buoyant, Elf Aquitaine gaining another FFr3.10 to FFr397.50 and Total FFr6.00 to FFr322.50.

MADRID lost early gains after New York opened, and the general index closed just 0.35 higher at 322.51 in turnover of Pta30bn. Subjects of recent, and not-so-recent equity placings were active. FCC, the construction stock, threatened its 1994 low with a fall of Pta200 to Pta15,320 and Acerinox, the metals company, registered a new high of Pta13,980, up Pta630 on a large buy order, and on positive forecasts for the company.

AMSTERDAM showed little enthusiasm, with the AEX index closing the session up just 0.18 at 412.99.

Among the actives Grolsch, the brewer, picked up Fl1.50 to Fl51.00 in spite of firmly denying takeover rumours.

ATHENS fell 1.1 per cent on government plans for a 15 per cent tax on dividends from mutual and investment funds, the general index closing 11.24 lower at 989.53.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Apr 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1449.43	1450.01	1450.44	1454.15	1456.02	1459.31	1456.87	1457.78
FT-SE Eurotrack 200	1468.77	1469.33	1470.90	1473.83	1475.92	1476.67	1474.46	1476.47

	Apr 6	Apr 5	Mar 31	Mar 30	Mar 29
FT-SE Eurotrack 100	1446.03	1428.65	1416.70	1418.70	1421.85
FT-SE Eurotrack 200	1465.41	1446.82	1440.09	1446.58	1452.57

Base 1000 (26/10/90). High/day: 100 - 1460.47; 200 - 1478.17 Low/day: 100 - 1449.42 200 - 1468.77

ASIA PACIFIC

Hong Kong firms, Nikkei gains 1%

Tokyo

Share prices moved within a narrow range on small-lot arbitrage trading before closing higher on late foreign buying, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 194.24, or 1 per cent, to 19,890.98, having fluctuated between 19,587.72 and 19,946.09. In the afternoon, buying by overseas investors of basic material stocks such as textiles and chemicals issues lifted the index. Arbitrage buying ahead of Friday's options settlement also supported shares.

Traders said individual investors dabbled in small-capital stocks on the second section and over-the-counter market. The second section rose 9.74 to 2,244.99 on heavy volume of 20m shares, while the OTC market gained 9.15 to 1,828.86.

Volume was 260m shares against 340m. The Topix index of all first section stocks rose 12.76 to 1,613.19 while the Nikkei 300 gained 2.55 to 295.54. Gainers led losers by 664 to 356, with 153 issues remaining unchanged. In London, the ISE/Nikkei 50 index fell 0.32 to 1,318.58.

Textile shares were higher on active buying by foreign investors. Toray Industries rose Y5 to Y700 and Mitsubishi Rayon gained Y20 to Y394.

Mitsui Matsushima, a coal distributor, rose Y25 to Y670 on short term buying by individuals and brokers. Sumitomo Coal Mining, the day's most active issue, rose Y81 to Y984.

Hopes of a recovery in consumer confidence supported some retailers. Daimar gained Y59 to Y879 and Mitsukoshi rose Y17 to Y1,010.

Motor manufacturers were also firmer on signs of a rebound in US car sales. Toyota Motor rose Y10 to Y2,000 and Honda Motor advanced Y30 to Y1,690.

Nippon Telegraph and Telephone initially declined on continued profit-taking but closed unchanged at Y900,000 on later support.

Fuji Photo Film fell Y40 to Y2,090 on selling by overseas investors. The company is expected to face increasing competition from private label photo film companies which are controlled by retailers.

Secom, the security systems maker lost Y280 to Y6,620 on rumours that its water purifiers were contaminated.

In Osaka, the OSE average rose 12.71 to 21,976.50 in volume of 13.9m shares. Textile stocks, regarded as lagging the index, gained ground, with Daiwabo up Y17 to Y370.

Roundup

The region saw mixed trading.

HONG KONG reversed early losses to finish higher, supported by a late round of bargain hunting, although turnover was light with many investors unwilling to commit fresh funds.

The Hang Seng index closed 51.61 higher at 9,285.92, having been 52 points lower at midsession. Turnover was a scant HK$2.9bn compared with $4.75bn on Wednesday.

The late bargain-hunting centred on blue chip property and banking shares. Henderson Land rose HK$1.50 to HK$43.50, Cheung Kong added 50 cents to HK$40.25 and SHK Properties ended 50 cents higher at HK$54. Hang Seng Bank gained HK$1 to HK$51.50, while parent HSBC Holdings edged up 50 cents to HK$89.

KUALA LUMPUR shares were broadly lower in thin trading although gains by Tenaga Nasional and Telekom Malaysia, pushed the composite index 1.67 higher to 966.18.

Tenaga firmed 50 cents to M$14.40 while Telekom rose 20 cents to M$18.60. Together, they represent almost 40 per cent of the index.

SEOUL ended flat as late profit-taking wiped out early gains but volume improved slightly. The composite index rose 0.32 to 863.36.

Construction companies, which rose in the morning shortly after the government's announcement that it would increase the limit on support loans extended to domestic contractors working on overseas construction projects, succumbed to subsequent profit taking.

SINGAPORE closed lower after Wall Street's weak overnight gain failed to spur local buying. The Straits Times Industrials index closed 9.04 lower at 2,106.53.

AUSTRALIA edged higher during the afternoon to close firmer in a day of consolidation. The All Ordinaries index slipped to 2077.8 in the morning before working its way up to 2087.4, a rise of 3.3 points.

Woodside Petroleum continued to be firm, having added 15 cents on Wednesday the shares gained a further 12 cents to A$4.31.

Elsewhere, Brambles Industries added 32 cents to A$13.82.

BANGKOK saw a technical rebound which took the SET index up 22.79 or 1.9 per cent to 1,224.74 in increased turnover of Bt4.2bn. Finance and banking sectors led the market higher with the only the food sector losing ground.

First Asia Securities topped the active list, shedding Bt12 to Bt196 after 40m newly-issued shares were listed. New listing Nithipat gained Bt7 to Bt137 and Bangkok Bank was up Bt4 at Bt159.

MANILA lost ground following a 3 per cent slide in the shares of heavily weighted Philippine Long Distance Telephone which closed at 1,655 pesos.

The composite index shed 48.63 to 2,680.34 in turnover of 504.32m pesos.

KARACHI moved sharply higher on heavy buying by local investors in the energy, synthetics and textile sectors.

The KSE 100-share index gained 38.12 or 1.6 per cent to 2,471.02.

S.Africa in search of direction

South African shares resumed their search for market moving factors as mixed signals clouded direction in thin trade, according to dealers. Reuter reports from Johannesburg.

Lack of real direction from world equities was depressing sentiment, which was also under pressure from political fears in advance of the multi-racial elections from April 26, they said.

The overall index finished nine points lower at 4,858, the gold index shed five to 1,912 and the industrial index fell 17 to 5,617. Shares edged higher in early trade as they reacted belatedly to recent gains on Wall Street and a firmer London market.

Golds made early gains on the back of commercial rand weakness and ended largely unchanged as bullion fell.

Anglos added 50 cents to R196.50, De Beers rose R1.25 to R102.75 and Richemont collected 75 cents to R43.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at MARCH 31, 1994 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar Index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 31/03/94 (US$m)	% of World Index	Market cap. as at 31/12/93 (US$m)	% of World Index	% chge in $ Index since 31/12/93
Australia (69)	134650.5	1.51	136948.5	1.55	–2.65
Austria (17)	12631.5	0.14	12909.3	0.15	–2.15
Belgium (42)	61722.7	0.69	60366.2	0.68	2.05
Canada (107)	148114.8	1.66	152670.6	1.73	–4.02
Denmark (32)	32367.9	0.36	30016.0	0.34	7.04
Finland (22)	19735.0	0.22	16491.1	0.19	15.27
France (98)	304744.1	3.42	312093.4	3.54	–3.16
Germany (59)	323195.6	3.63	327430.2	3.71	–2.14
Hong Kong (56)	187775.0	2.11	241602.4	2.74	–23.44
Ireland (14)	12398.3	0.14	12231.9	0.14	–1.97
Italy (69)	139935.2	1.57	102478.4	1.16	27.12
Japan (469)	2651215.3	29.74	2270841.5	25.75	16.58
Malaysia (69)	70768.0	0.79	94655.3	1.07	–25.44
Mexico (18)	74888.4	0.84	88987.3	1.01	–14.07
Netherland (26)	157746.7	1.77	158894.2	1.80	–1.97
New Zealand (14)	16194.1	0.18	17105.2	0.19	–7.38
Norway (23)	9412.6	0.11	8711.9	0.10	7.76
Singapore (45)	44232.8	0.50	47952.1	0.54	–17.15
South Africa (60)	90190.4	1.01	104745.5	1.19	–12.74
Spain (42)	82604.5	0.93	82045.1	0.93	0.84
Sweden (36)	74096.7	0.83	70674.2	0.80	4.55
Switzerland (49)	219037.9	2.46	213181.1	2.42	1.12
United Kingdom (215)	851609.0	9.55	923516.2	10.47	–8.15
USA (519)	3193920.8	35.83	3332434.4	37.79	–4.36
EUROPE (744)	2301257.6	25.82	2331239.1	26.43	–2.29
Nordic (113)	135632.2	1.52	126093.2	1.43	6.79
Pacific Basin (722)	3104835.7	34.83	2809106.0	31.85	9.96
Euro–Pacific (1466)	5406093.3	60.65	5140345.1	58.29	4.41
North America (626)	3342035.6	37.50	3485105.0	39.52	–4.34
Europe Ex. UK (529)	1449648.6	16.26	1407722.9	15.96	1.52
Pacific Ex. Japan (253)	453620.4	5.09	538264.5	6.10	–17.44
World Ex. US (1651)	5719286.9	64.17	5486748.5	62.21	3.56
World Ex. UK (1955)	8061598.8	90.45	7895666.6	89.53	1.59
World Ex. So. Af (2110)	8823017.3	98.99	8714437.3	98.81	0.73
World Ex. Japan (1701)	6261992.5	70.26	6548341.3	74.25	–4.96
The World Index (2170)	8913207.8	100.00	8819182.8	100.00	0.57

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL 6 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 5 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	166.24	2.1	167.92	109.89	148.22	156.73	1.8	3.48	162.89	164.98	106.82	144.56	154.03	189.15	130.19	136.37
Austria (17)	176.25	0.1	178.03	116.51	157.15	157.04	0.9	0.99	176.02	178.29	115.43	156.22	155.57	195.41	139.63	142.34
Belgium (42)	161.68	–0.2	163.31	106.87	144.16	140.82	0.2	3.83	161.95	164.03	106.20	143.73	140.52	171.69	141.92	152.98
Canada (106)	129.93	1.4	131.24	85.89	115.85	129.99	1.2	2.58	128.09	129.73	84.00	113.67	128.47	145.31	121.46	122.72
Denmark (32)	257.36	0.3	259.97	170.13	229.47	235.30	0.7	0.99	256.68	259.96	168.33	227.80	233.61	275.79	205.69	206.61
Finland (22)	140.95	3.2	142.38	93.17	125.68	163.96	3.4	0.81	136.62	138.38	89.59	121.25	158.65	156.72	80.71	80.71
France (98)	168.95	0.8	170.66	111.68	150.64	155.42	1.3	2.90	167.65	169.81	109.94	148.79	153.37	185.37	149.60	162.88
Germany (58)	136.83	1.0	138.21	90.45	122.00	122.00	1.5	1.71	135.43	137.18	88.82	120.19	120.19	142.38	107.59	113.88
Hong Kong (56)	381.63	1.9	385.49	252.27	340.28	378.82	1.8	2.80	374.64	379.46	245.68	332.49	371.68	506.56	250.94	253.75
Ireland (14)	181.06	2.0	182.90	119.69	161.45	180.76	1.9	3.33	177.56	179.85	116.44	157.58	177.48	209.33	155.93	157.36
Italy (60)	84.95	–0.9	85.81	56.16	75.75	104.99	–0.1	1.65	85.76	86.86	56.24	76.11	105.07	87.19	57.07	57.07
Japan (469)	152.94	–0.1	154.48	101.10	136.37	101.10	0.7	0.80	153.03	155.00	100.36	135.82	100.36	166.91	124.54	134.18
Malaysia (98)	444.24	2.0	448.73	293.66	396.11	460.62	2.1	1.25	435.67	441.28	285.71	386.66	451.19	621.63	291.15	291.15
Mexico (18)	1912.73	–0.8	1932.06	1264.37	1705.45	7027.75	–0.8	0.72	1928.40	1953.20	1264.61	1711.39	7085.30	2647.08	1431.17	1625.48
Netherland (26)	194.24	1.5	196.20	128.40	173.19	170.61	2.1	3.30	191.28	193.75	125.44	169.76	167.17	207.43	163.30	169.32
New Zealand (14)	65.06	4.8	65.72	43.01	58.01	61.06	4.5	3.82	62.05	62.85	40.69	55.07	58.42	77.59	45.80	45.80
Norway (23)	190.31	–0.7	192.23	125.80	169.69	191.95	–0.3	1.73	191.58	194.02	125.62	170.00	192.63	208.42	150.61	155.11
Singapore (44)	312.58	2.6	315.74	206.62	278.71	226.65	2.9	1.72	304.63	308.56	199.78	270.36	220.26	378.92	228.08	230.62
South Africa (60)	226.86	0.1	229.16	149.96	202.28	245.45	0.0	2.50	226.63	229.55	148.62	201.13	245.45	280.26	161.99	178.48
Spain (42)	139.57	0.8	140.98	92.26	124.44	146.65	1.3	4.04	138.48	140.27	90.82	122.90	144.78	155.79	116.33	128.56
Sweden (36)	212.04	3.5	214.18	140.16	189.06	249.30	3.2	1.57	204.82	207.46	134.32	181.78	241.63	230.02	159.40	161.48
Switzerland (49)	159.33	0.1	160.94	105.33	142.07	143.18	0.9	1.87	159.18	161.23	104.39	141.27	141.89	176.56	117.90	118.46
United Kingdom (205)	188.79	0.8	190.69	124.79	168.33	190.69	0.5	3.85	187.36	189.77	122.87	166.28	189.77	214.96	170.32	173.19
USA (513)	182.76	0.0	184.61	120.81	162.96	182.76	0.0	2.90	182.80	185.15	119.87	162.23	182.80	196.04	176.91	180.02
EUROPE (724)	164.96	0.8	166.63	109.04	147.08	159.26	1.0	2.92	163.70	165.81	107.35	145.28	157.69	178.58	141.58	143.08
Nordic (113)	204.15	2.4	206.22	134.95	182.03	209.79	2.4	1.35	199.34	201.90	130.72	176.91	204.92	220.60	151.61	152.96
Pacific Basin (750)	161.09	0.3	162.72	106.49	143.64	111.00	0.9	1.08	160.67	162.74	105.37	142.59	109.97	168.80	134.79	137.76
Euro–Pacific (1474)	162.55	0.5	164.20	107.45	144.94	129.87	1.0	1.85	161.78	163.87	106.10	143.58	128.63	170.78	139.82	139.82
North America (625)	179.48	0.1	181.30	118.64	160.03	179.10	0.0	2.88	179.40	181.71	117.65	159.21	179.04	192.73	173.70	176.47
Europe Ex. UK (519)	148.41	0.8	149.91	98.11	132.33	139.83	1.3	2.35	147.28	149.17	96.58	130.71	138.04	155.73	122.37	124.28
Pacific Ex. Japan (281)	241.26	2.1	243.70	159.48	215.12	221.76	2.1	2.63	236.27	239.32	154.95	209.69	217.28	295.21	172.89	173.19
World Ex. US (1658)	163.29	0.5	164.94	107.94	145.60	132.82	0.9	1.87	162.52	164.61	106.58	144.23	131.60	172.51	140.56	140.56
World Ex. UK (1972)	166.88	0.2	168.52	110.28	148.75	144.38	0.6	2.06	166.42	168.56	109.13	147.69	143.53	175.58	150.88	150.88
World Ex. So. Af. (2117)	168.47	0.3	170.17	111.36	150.21	147.74	0.6	2.23	167.96	170.12	110.15	149.06	146.86	178.56	152.78	152.78
World Ex. Japan (1708)	179.17	0.5	180.98	118.44	159.75	176.09	0.5	2.85	178.36	180.65	116.96	158.29	175.17	195.20	164.42	164.42
The World Index (2177)	168.78	0.3	170.48	111.57	150.49	148.52	0.6	2.24	168.27	170.44	110.35	149.34	147.65	178.97	152.85	152.85

Latest prices were unavailable for this edition. Market closed 6/4/94: South Africa.

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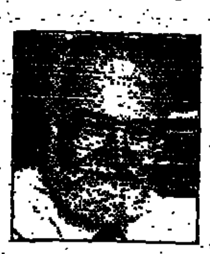
FINANCIAL TIMES SURVEY

PAINTS AND THE ENVIRONMENT

Friday April 8 1994



Paint protects much of the modern world against the environment and adds colour to life, but is itself an environmental problem. Paintmakers have already responded, but eco-friendlier coatings are not always better – and their cost may be more than buyers will be willing to pay, writes **Ian Hamilton Fazey**

Producers in compliance – at a price

There is a new assertiveness about the environment in the paint industry. Four years ago there was palpable fear at the industry's conferences about what tighter environmental controls were going to do to profitability and, in some cases, survival. Today, the industry is fighting back.

It is not that the industry is full of companies bent on profit at the cost of pollution. Rather, its most reputable members have spent millions on compliance with new laws, and in developing new and greener products.

They are now looking for compromise in an age of politicised environmentalism, when the goal posts have tended to be moved farther away as industry has achieved new standards demanded of it.

As gains get more expensive as you go on, is there a point where enough has been done for most practical purposes? The greenest possible paint may well cost more than anyone can afford.

Dr Manfred Hopp, head of BASF Lacke & Farben, Germany's biggest paintmaker, asserts: "We are squeezed between two laws. There is the law of the land, which imposes ever-stricter environmental controls at increasing cost. Then there is the law of supply and demand, which determines what our customers are willing to pay.

"If our customers will not pay more – and they won't, especially in a recession – something has to give. So we have to make savings in costs. This means using more technology and fewer people. It means lost jobs. This is one of the costs of environmental control which people have yet to fully realise."

In BASF's case, it was 300 jobs in Germany last year, on top of DM80m on environmental compliance in the last three years and DM250m in the last ten. Dr Hopp says: "None of this spending has made us more profitable, but it has been necessary for survival. There is no choice if you want to go on operating. It's to be or not to be."

Given that paint factories themselves are tightly controlled, the main pollution issue for the industry is the emission of volatile organic compounds (VOCs) when the solvents used in paint evaporate.

Pollution is caused not by the paint industry, but its customers. Is the industry therefore its customers' keeper? Competitive paintmakers know they have to be: if a customer is faced with abatement costs to comply with anti-pollution laws, an environmentally-friendly product that obviates the need is going to have an edge in the market.

VOC emissions are being rightly regulated because they break down in sunlight to form some of the constituents of acid rain and smog. The paint industry's response has been to develop water-based coatings or put more solids – pigments and resins – in the formulation.

Except for decorative emulsions used indoors on walls and ceilings, 'water-based' does not necessarily mean 'VOC-free' – "green equals reduction, rather than elimination," says Mr Rod Watters, vice-president of the US paintmaker, PPG.

Mr Herman Scopes, chief executive of ICI Paints, explains: "Water is a rotten solvent for paint. Customers' concerns are always with prices and value for money. They are not interested in paying a premium just because something is environmentally friendly. That is a bonus. The product has to be good in its own right. You will only sell it if it does the job."

Mr John Bernie, director of the industry-funded but independent Paint Research Association, says inferior performance has been the bane of water-based paints.

Some can be vulnerable to wet weather. Most do not last as long, requiring earlier repainting of the surfaces they are supposed to protect. In contrast, VOC solvents help the film spread and not sag or flocculate, while producing a protective gloss water cannot usually achieve. Paint companies have nevertheless solved many of the problems, greatly reducing VOC content of most paints. In ICI's case, research started 15 years ago. Mr Scopes claims its star product, which it developed for painting cars during manufacture and has now redesigned for repairing automotive coatings, is still the most technically advanced, although all competitors offer 'me too' versions.

Ms Moira McMillan, director of the British Coatings Federation, says the UK government's target of reducing VOC emissions by 30 per cent by 1998 is fine in big markets like automotive paints, but difficult for medium-sized engineering companies with correspondingly-sized paint shops. They will rely on their suppliers for compliant coatings.

Paintmakers such as Kemira of Finland, Beckers of Sweden and Akzo Nobel, which became the world's largest paint company when the Netherlands and Scandinavian coatings businesses merged in November, have all spent large sums developing water-based general industrial paints or buying rights to the technology.

Sales growth – which they need to get their money back – will depend on customers' readiness to change, but Mr Neville Petersen, the new chief of Courtaulds Coatings, also confirms that "a lot of customers are saying until we have to change our systems, we are not going to. That's fine, but we have to be ready for it when it happens, even if it means spending a lot of money up front."

In Courtaulds case, the bill this year will include £36m for a new European resins development and manufacturing plant at Silvertown, in London.

Ironically, therefore, the industry needs more regulation to force sales growth of its compliant products, but worries if it can afford to go further. Dr Hopp says many years of stability are needed to allow the industry to recoup research and development costs, rather than be expected to keep breaking new ground.

Mr Louis McCulloch, senior partner of James Consulting, an independent specialist on paint, says: "There is a danger in people getting too hung up on environmental issues when other issues need addressing.

"Europe is in recession. Markets are down and there are mounting cost pressures. The environmental issue is a long-term one. The immediate issue is survival. I hope sense is prevailing. Environmental considerations are important, but commercial considerations must not be lost."

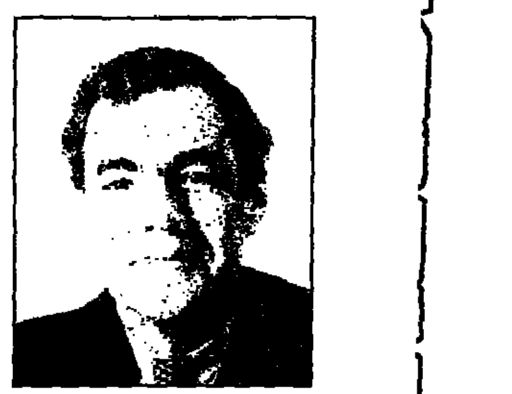
Dr Frank Rose, ICI's chief medical officer and an expert on safety, says: "In the 1980s a lot of energy went into confrontation over regulation and how to resist it. In the last few years, the industry has demonstrated change.

"It's now in the interest of big companies to show leadership, especially now people are being more cautious about putting pressure on if it causes extra cost and loses jobs."

Mr Herman van Karnebeen, director of Akzo Nobel, thinks big companies suffer because they are easy targets for regulators, while small paint companies are often let off the hook by local authorities fearful about jobs being lost if they shut them down.

Large German paint companies have encountered similar prejudice, with small operators sometimes treated leniently on the orders of local political leaders who fear a backlash.

Mr Karnebeen says: "The industry should set up its own means of policing itself and needs to get organised on a European scale. Big companies should have some leverage over supplies. Suppliers should also take a responsible position."



Herman van Karnebeen

Dr Manfred Hopp of BASF Lacke & Farben: "Something has to give"

He wants controls harmonised, with universal standards of enforcement. This is already a problem in Britain, says Ms McMillan, because different local authorities interpret the same criteria differently against identical plant.

Harmonisation in timing new controls is also needed. Mr Roger Walters, who runs Euramax, a UK coil coater, says British enthusiasm to enforce lower VOC emissions ahead of other EU countries will force premature investment in old abatement technology, giving EU competitors an edge if current trials of a lower-energy catalytic conversion system prove viable.

The question is whether the industry's new assertiveness – and its record of improvement – will help carry such arguments.

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☐ Industry trends, Page 5.
☐ Product research, Page 6.

■ THE DECORATIVE MARKET

A question of balance

Since 55 per cent of all paint sold goes on walls, ceilings, doors, window frames, skirting boards and masonry, they are bound to have a significant impact on the environment.

This – the decorative market – is itself divided into two large segments – do-it-yourself paints people buy increasingly from retail sheds; and trade paint sold from specialised centres to professional decorators.

Sales are large. ICI puts the European DIY market at about 730m litres a year. Britain leads with 156m litres – inevitably, when businesses such as B&Q, Texas Homecare, and Do-It-All have developed the concept of the retail shed more intensively than anywhere else. Germany follows with 151m litres, then Italy with 150m litres and France with 89m litres.

The relative size of the trade and DIY segments is illustrated by Akzo Nobel's figures for decorative sales overall, which make France the biggest market with nearly 570m litres in both segments combined. Germany comes second with more than 440m, followed by Britain with more than 400m and Italy with 375m.

The split matters because different solutions to environmental concerns are being demanded and applied in each market segment. The effects in the marketplace are now becoming marked in Germany, Europe's largest environmentally-conscious national market.

Environmentally friendly paints have made significant impact in German consumer DIY markets, but their impact has been poor among professional decorators, according to Mr Chris Joyce, technical manager for ICI's decorative products in Europe.

"These types of product were launched in Germany 10 years ago and they now have between 25 and 30 per cent of the national retail market. But they haven't got anywhere in the German trade market because of price and difficulties in guaranteeing quality of work," he says.

The problem is that the more environmentally friendly decorative paints become, the higher their price, while performance declines. The right balance has yet to be struck – and professional decorators are refusing to adopt products that demand return visits to put work right, or which do not last long enough to satisfy their customers.

Since few decorative paints are toxic – and these cannot be bought in DIY markets – the main area of environmental concern is emission of volatile organic compounds (VOCs) used as solvent.

"We cannot control how millions of people use decorative paint," Mr Joyce says. "All the paint we sell evaporates. Although the VOC emission from decorative paints is only two per cent of total emissions, we sell a lot of decorative paints, so none of us can sit back complacently and do nothing."

The problem is less acute for paints used on walls and ceilings than for the gloss paints needed on woodwork. The former now nearly all use water as their principal solvent. Germany already insists that wall paints for internal use should contain no VOC solvents, while ICI has already eliminated them from its DIY products.

Professional decorators, however, prefer a little VOC in the formulation to help the paint spread smoothly and dry to an even finish. Indeed, VOC solvents are essential in gloss paints if they are to have the properties of shine and durability people expect.

Traditionally, VOC solvents accounted for 70 per cent of a gloss paint's formulation. Reducing requires more pigment in the paint, or a mix of water and VOCs as solvent, or a combination of both. Getting it down to 35 per cent will qualify for eco-labelling when standards are finally introduced.

This, however, will not do. Mr Joyce points out that in Austria, the maximum permitted VOC solvent level will be 10 per cent from next year. This compares with 30 per cent the industry thinks reasonable to aim for by 2000 – "the danger is an imposed solution. We need to be pro-active as an industry. Europe should also try to move forward together," he says.

One idea is a ratchet system, with general agreement to reduce in discrete steps at two-year intervals. This would phase the pain, especially since the new coatings may push up prices by 50 per cent.

This phased approach may also be necessary to carry public opinion. Mr Chris Harris, general manager of ICI's UK and Ireland decorative business, says: "Every time you offer alternatives, there is a trade off between performance and price. People are very concerned about the environment until they have to pay. Only the most ardent greens are prepared to pay more or sacrifice quality for the environment."

He also says there is another argument about paint and the environment which needs to be vigorously advanced.

"Paint protects surfaces and maintains the life of buildings, which in turn is a contribution to sustaining resources. Paint is about protection from decay. What is the point of paint that is so environmentally friendly it costs more, does not perform well and needs repainting every two years instead of four?" he asks.

There is evidence that a balance is beginning to assert itself with some local authorities – all of them big buyers of decorative paints – rethinking previous decisions to "go waterborne" as ensuing maintenance times have shortened.

The conservationary benefits of paint are also becoming more visible all over Britain. Concrete tower blocks of council housing – which had become hideously disfigured by acid rain, stains, corrosion of reinforcement bars, mould and decay – have in recent years been transformed by new masonry paints designed to protect concrete after repair.

Good colour schemes has also broken up the stark outlines of tower blocks and made them sit more happily in the visual environment. If these coatings had been waterbased, they would have been washed off in this winter's torrential rains.

Ian Hamilton Fazey

When the Wastewagon started rolling round Leeds in 1992, it set in train a new approach to dealing with waste paint. It toured designated districts collecting paint cans people had finished with – and any paint still in them, *writes Ian Hamilton Fazey*.

The Wastewagon – a Ford Iveco van with a tail-lift – was sponsored by ICI. Backing also came from B&Q, the DIY retail shed group; UK 2000, the clean-up-Britain charity; and Leeds city council. Monetary costs were only £4,500, but the more valuable help came in kind – people and resources.

The experiment was a test of whether it was sensible to try and systematically collect waste paint and do something worthwhile with it. Success was confirmed last week when Leeds officially opened a permanent "paint exchange" system.

Ealing, a London borough, brought in consultants from the Leeds experiment and started a similar scheme last autumn.

The Wastewagon, however, is no more. This proved a costly and inefficient method of collecting waste. It was better to provide collection points where people could dispose of it themselves.

What the experiment proved was that there is now a substantial amount of re-usable paint in most people's waste.

■ DISPOSAL OF WASTE

Increasing sensitivity

Ms Isobel Howe, research consultant to Swap – Save Waste and Prosper, a not-for-profit agency which did the experiment, says this amounted to 20 per cent of collected waste and came to about 750 litres.

But who would want to re-use it? Charities, says Ms Howe – "more than enough recipients were attracted to use all the collected paint, with demand far exceeding supply. It was quite clear a permanent scheme would have no problem finding plenty of takers, given the right links to social services departments and the voluntary sector."

Paint tins and packaging items are recycled at ICI Paint's Stowmarket plant, using an Orwak baler; dry waste has been cut by 59 per cent

Most people have waste paint in their homes. Used cans with paint still in them are left in cellars, box rooms, cupboards or garages. When they are thrown out, it is usually with the household rubbish – sometimes after paint that is still liquid has been poured down the drain.

Leeds has now set up "paint banks" at three municipal waste dumping centres. Each has three skips – one for empty tin cans, one for empty plastic containers and one for containers with paint still in them. Empty tins cans go for recycling, as do those of the plastic variety which are suitable. Containers with small quantities of paint that has solidified are classed as empties. They are shredded prior to recycling and the waste paint can be collected as it fragments.

The skip for liquid, possibly re-usable paint, has racks to keep containers upright when the skip is moved. Sorting is at a community training base by a workforce undergoing youth training, in effect giving them a proper project to learn on. What cannot be re-used goes for recovery and recycling – or safe disposal if it so old it contains now-banned toxic ingredients like lead.

A stocklist system will ensure incoming containers are logged by volume, manufacturer, colour, age and re-usability. This could come into its own if other local authorities follow the Leeds and Ealing leads, with a database of second-hand paint available for charities and community projects. Waste is likely to become an increasingly important issue if such schemes proliferate and public consciousness is raised.

This could also rebound on paint manufacturers. Little attention was paid to waste disposal in the past. Indeed, on the basis of "the polluter pays," who is responsible for waste decorative paint? Is not the customer, the person disposing of unwanted paint or empty containers, the polluter?

But with the ownership of decorative paint production now concentrating into fewer large groups – all of them more vulnerable to public opinion than an industry in fragmented ownership – sensitivity is increasing.

"Waste paint is not so much a hazard as a nuisance," says Mr Chris Joyce, ICI's technical manager for decorative products in Europe. "We need to get together with everyone concerned and find the right approach."

The industry is setting up a group to run further pilot projects on the Leeds lines to encourage more public paint banks and systems to manage them. Education is also part of the process, says Mr Joyce, starting with not over-buying in the place through better calculation of how much paint might be needed for a job.

Companies wanting to improve their waste management could start with a simple DIY training manual published by Athena Training International of Bootle, under licence from ICI Paints. Its aim is to change people's attitudes to waste – from producing less of it, to managing and disposing of it better.

■ COIL COATING

Process has environmental benefits

One type of industrialised wet painting has been growing steadily for about the last 15 years, in spite of the emission of copious quantities of volatile organic compounds during the process, *writes Ian Hamilton Fazey*.

The process is called coil coating. Its environmental advantage is that it enables manufacturers to get rid of their paint shops altogether. The metal they want to bash or bend comes ready-painted with coatings so tough they remain undamaged during production.

Coil coated steel or aluminium is now formed into hundreds of products, from profiled cladding for buildings to consumer durables like refrigerators and washing machines, to teltronic products like video recorders and sound systems, to non-stick cookware or components for cars.

The process is largely automatic. A roll of steel or aluminium – called a coil – is unrolled and passed flat through pre-treatment tanks to clean and degrease it before being sprayed automatically with wet, solvent-borne paint.

The coated strip then moves through a heated tunnel, where VOC solvents are driven and the mixture of resins and pigments polymerise into some of the toughest paints ever designed by chemists.

VOC emissions are not a problem because they are collected and incinerated. The resultant heat is then recycled back into the production process to help with the stoving, thus saving energy.

With all the potential for pollution in one place – including run-off of pre-treatment chemicals – it is contained and dealt with efficiently.

Coil coated products barged into the market initially because of labour cost-savings from eliminating individual paint shops in the 1980-82 recession.

The cost to the remaining small shops of environmental compliance is now likely to provide another boost.

Mr Roger Walters, chief executive of Euramax and chairman of the UK Coil Coaters' Association says that "for virtually the whole of the 1980s, our industry was growing at 10 per cent a year.

"Since 65 per cent of the market is in the construction sector, there has been a slowdown in the recession, but things are still healthy."

Mr Peter Burling, who runs British Steel's thriving coil business is president of the European Coil Coaters, says "our products are perceived to be good for the environment.

"As legislation becomes tougher, in-house painting will become more costly. We expect to take more market share from traditional industrial paints."

Beckers, the Swedish-owned paintmaker, claims about 25 per cent of European coil markets.

Mr John Lyon, managing director of Beckers' UK business, who has overall responsibility for coil, says "environmental compliance is an opportunity. Coil takes all the problems away from the manufacturer of coated articles.

"It also involves a marriage of coater, pre-treatment specialist and paint supplier in which quality and consistency are more important than price. This makes it a good business to be in."

■ MARKETS AND SUPPLIERS

Moving into sharper focus

When Imperial Chemical Industries pulled out of IDAC, a £50m joint venture in Germany with Du Pont, the US chemicals giant, in January, it was one of three events finally defining the *structure of the world's* paint industry, after 12 years of turmoil.

IDAC was set up in 1988 to attack the £650m European *market for* painting cars on the assembly line – automotive OEM, or original equipment manufacture. The venture failed to reach the 20 per cent *market share ICI needed to jus*tify staying in the market.

Another of the three events had already deprived ICI of its seven-year-old title as the world's biggest *paintmaker: in* November, Akzo of the Netherlands took over the coatings business of Nobel of Sweden, astutely merging two portfolios of products that had little overlap between them.

Akzo, however, is not obsessed by 'sizism,' as the third event showed: it sold its European automotive OEM business to PPG, the market's US-owned world market leader. *Automotive OEM* is now dominated in Europe by PPG, and the German paintmakers BASF and Herberts.

ICI and Akzo Nobel are both strong in another branch of automotive paints – vehicle refinish, or VR, where ever-higher technology coatings are used for repairing damaged vehicles. Mr Louis McCulloch, senior partner of James Consulting, an independent specialist on the paint industry, says their exit from OEM was like slaughtering a sacred cow.

The two main pillars of the paint industry are the entirely separate markets of decorative and automotive paints. The former is a low technology, high volume cash generator; *the latter is a high technology* industrial market, where partnership and symbiotic technical services are essential between paintmakers, vehicle *manufacturers and the suppli*ers of painting equipment.

Like Mr McCulloch, ICI's former OEM partner Du Pont, and OEM competitors like PPG, *BASF and Herberts, all* believe the OEM and VR markets are interdependent, if only to get car manufacturers to recommend specific companies' VR products as part of their anti-corrosion guarantees.

Mr Herman Scopes, chief executive of ICI Paints, disagrees: "Of the 10 top VR companies in the world, four – ICI, Akzo, Sherwin Williams and Rock Paint – do not have any OEM. The link is more perceived than real," he says.

His doubters say Sherwin Williams and Rock are each rooted *in their large, respective home* markets of the US and Japan – and were the exceptions proving the rule.

ICI and Akzo retort that the markets are entirely different. There is only a tiny number of car manufacturers worldwide, but thousands of body shops. Distribution, service, logistics and the ability to handle tens of thousands of small transactions efficiently are what count, as Sherwin Williams has proved in the US.

Companies like Akzo and ICI are used to transplanting marketing skills in decorative paints around the world and are well up to this, apart from *being good enough chemists to* match thousands of colours and guarantee their work, whatever coatings technology was originally involved.

The debate symbolises the latest stage of evolution in paint markets. Even 15 years ago they were still largely national, with thousands of *companies. International* spread was mostly based on the history of European colonialism.

In the 1980s, ambitious suppliers *of industrial coatings* realised they had to follow their customers as markets regionalised under political forces like European union, or *globalised under cost and effi*ciency pressures, as in car manufacture or repainting ships.

Boats, trains, planes, cars and cans were all affected. A rush for territory and presence began, led by BASF of Germany and ICI of Britain. Others, such PPG of the US, which had developed the most corrosion-resistant electro-coated system yet for car bodies, started buying their licensees abroad.

If you could not dominate territory, you occupied specific *product niches. Courtaulds,* which leads the world marine coatings market, set a trend by occupying its niche on a global scale, followed by PPG in automotive *OEM*.

Theirs has proved the best policy because they did not suffer corporate indigestion as they grew by acquisition. Moreover, their research was focused on markets likely to yield early returns because they could introduce new products or technology without a fight.

By contrast, ICI developed Aquabase, a good waterborne paint for automotive OEM, but could not dislodge entrenched *European competitors, even* though they were struggling to catch up with "me-too" products. Du Pont, which has a strong OEM and VR base in the US, will carry on alone.

Companies are refocusing on what they do best and where they can be in the top three in a world or regional market. *They have to:* industrial buyers are reducing numbers of suppliers – in the case of Ford, to one per factory.

So ICI has also sold its aero*space coatings business to* Courtaulds, now a leading transportation coatings specialist. In the US, Akzo sold its aerospace business to Dexter, *but took over the latter's coil* coating interests, while the two formed a joint venture in aerospace in Europe.

ICI's *focus* is now on its Dulux brand of decorative paints, VR, and can coatings, where it is the US leader and strong in Europe against BASF.

Similarly, the Swedish-owned Beckers has strengthened in European coil coatings, but sold its powder coatings business to Herberts: each was separately strong in three or *four countries but neither had* enough volume; Herberts is now strong in powder in eight European countries and will become an increasingly impor*tant regional player.*

By the same token, other companies abandoned low-margin decorative coatings, where mass marketing is needed for sales volume and reasonable profits. Hoechst set the trend here, selling Berger to Crown in the UK in the 1980s. Similarly, Tikkurila of Finland sold Macpherson – Woolworth's paintmaker – to Akzo to concentrate on Kemira, its industrial coatings business.

If economies of scale offer *the best prospects in these dec*orative markets, big companies are best placed to achieve them. ICI is a strong marketeer of premium brands to consum*ers and trade painters. Akzo* absorbed a series of medium-sized companies in the 1980s, then took over Casco Nobel, which – in the UK – had already absorbed Crown, which had already absorbed Berger.

Other successful decorative paint companies like John*stones passed into* French ownership, with Total now an international player. Petrofina, the Belgian oil giant, is also in the big league through Sigma Coatings.

Independents can survive, but they have to be very good, such as Kalon, which makes "own-label" paints for DIY retailers. Its forte is good logistics to ensure just-in-time distribution.

Small can still be beautiful, but your niche must be so unworthy of a giant's attention, you will not be stamped on or swallowed. An example is Carr's in Birmingham, or Weilburger, the UK subsidiary of the medium-sized Grebe group of Germany.

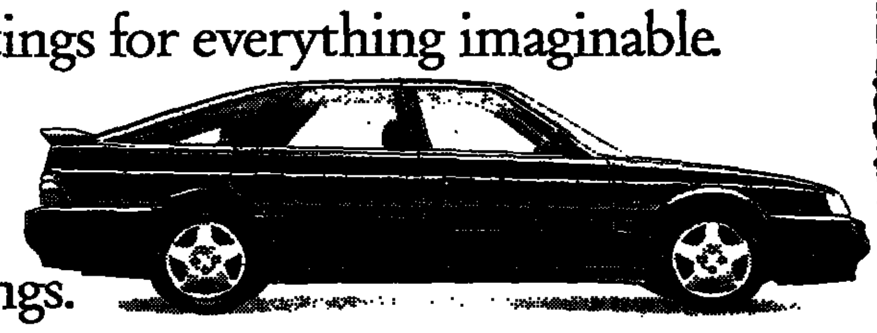
The latter's strengths are in teltronics – matt-black, fingermark-proof coatings for TV and video recorder cases – painting plastics and high performance coatings for household durables.

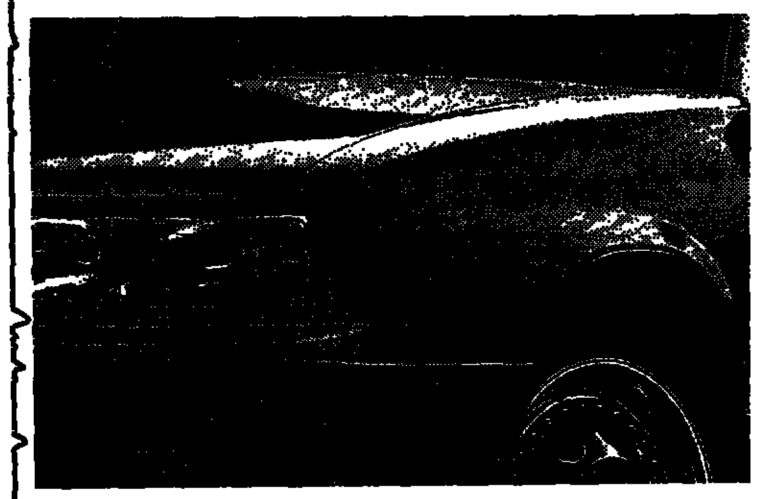
And the role of the environ*ment in all this? Not* only does compliance with green laws cost money, but also research and development time – and there is little direct return.

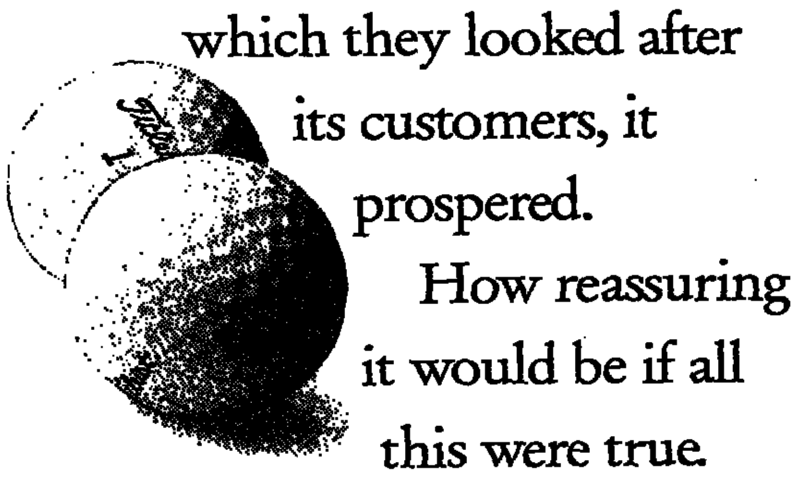
Companies can only afford to spend resources on markets where they have enough sales volume or margin to carry their "dead" investment in the environment. Every company's focus is likely to tighten further yet.

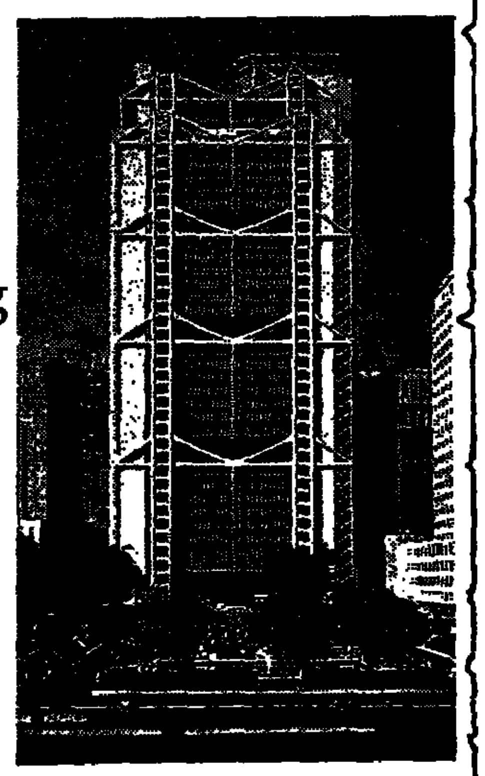
Ian Hamilton Fazey

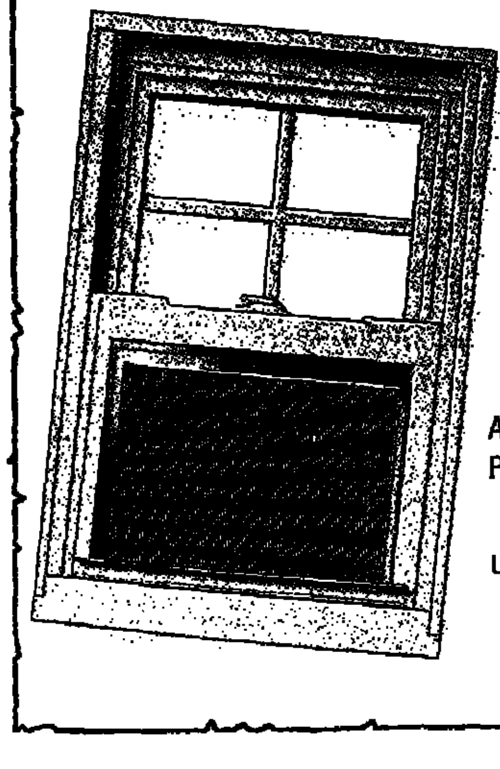
Arsenal Football Club's stadium, Highbury, north London: Johnstone's Paints protective coatings have been used to protect thousands of square metres of structural steel in the refurbishment of the stadium











Environmental issues are the driving force behind vehicle refinishing paint technology

The 'refinish' market at a crossroads

Producers of coatings for repairing the paintwork of cars and other vehicles were once slow to adopt new technology, but they are now making up for it, as Christopher Mann reports here

For nearly 50 years from the mid-1930s, the UK crash repair market was dominated by cellulose paints. Nitro cellulose had been used to make explosives during the First World War. The development of cellulose spray paints on motor vehicle production lines helped mop up spare capacity.

These spray paints deskilled traditional oil-based brush painting, were easy and forgiving to apply – and by the mid-1930s were widely available. They dried rapidly by solvent evaporation but because there was a high ratio of solvent to pigment, they needed a considerable number of coats to achieve an adequate paint film thickness.

Other countries, however, developed their own refinish paint technology. In the US, acrylic lacquers were developed in the 1950s; in Germany, restrictions on the production of nitro cellulose led to alkyd-based technology, the forerunner of today's refinish coatings. The latter's disadvantage was that the paint took too long to dry. Overcoming this spurred the development of 'two-pack' paints in Germany. These used a chemical hardener mixed in with the paint, prior to use. The paint cured through a combination of chemical reaction and solvent evaporation, aided by gentle heating, making them suitable for use on both production lines and body shops.


Christopher Mann, above, says that colour-matching systems are one of the refinish paintmaker's biggest financial commitments

Also, because two-pack paints contained a higher proportion of pigment to solvent, fewer coats were needed to achieve the required paint film depth. In addition, unlike cellulose, rubbing down between coats was not required and a very high gloss finish was obtainable straight from the spraygun.

Moreover, by adjusting the base material and hardener formulations, a variety of characteristics could be built in, such as resistance to extremes of temperature, colour integrity, solvent resistance, flexibility and smoothness of finish.

Correctly applied, these paints were capable of fully matching, if not exceeding, the quality and durability of production line finishes. The drawbacks were that they needed the dust-free environment of a spraybooth and that they generally contained isocyanates, a respiratory sensitiser damaging to lungs, which made it necessary for painters to wear breathing apparatus. The new paints were also less forgiving to apply, requiring better quality spray-guns and better trained painters.

The changeover from cellulose to two-pack paints was therefore slow in some national markets, but by the end of the 1980s, cellulose paints were becoming marginalised in bodyshops, largely through pressure from vehicle manufacturers who were insisting upon the use of approved two-pack paint systems if their anti-corrosion warranties were to remain in place after accident repairs.

Until the mid-1980s there was very little awareness, or interest, in the environmental or health and safety implications of refinish paint applications, and consequently very little by way of legislation.

The impact of green issues in politics has changed this. Environmental legislation is now the most significant force driving refinish paint technology with paint manufacturers' research and development aimed primarily at meeting ever more stringent legislation without compromising paint quality, durability or application efficiency.

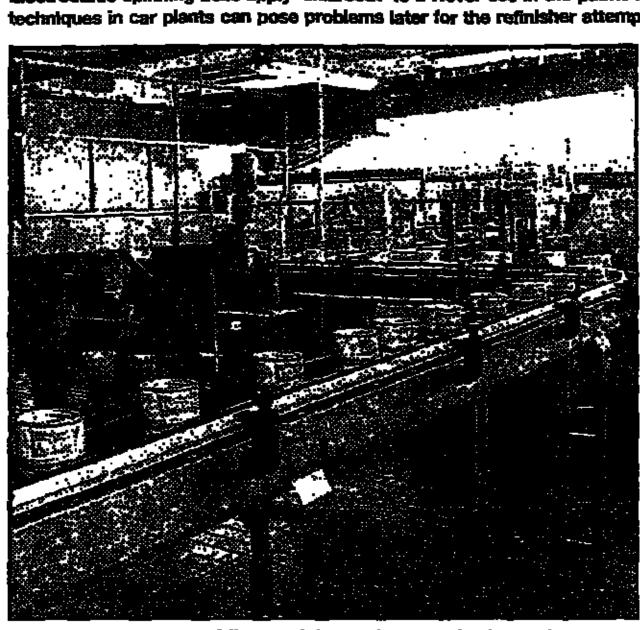
Initial UK legislation affecting vehicle refinishing was the Control of Substances Hazardous to Health regulations (COSHH) in 1988, followed more recently by the Management of Health and Safety at Work Regulations – the MHSWR.

Both have put considerable pressure on vehicle manufacturers and refinishers to improve health and safety standards. These, together with the Environmental Protection Act – the EPA – which became law in 1990, have provided the UK with some of the most exacting anti-pollution legislation in the world.

The purpose of the EPA is to reduce and eventually eliminate the use of VOCs – volatile organic compounds used as solvents – in coatings. VOCs react under sunlight with nitrous oxides to create low level ozone – photochemical air pollution which damages vegetation and can also cause breathing difficulties.

VOC emissions as paint cures can be controlled either by increasing the ratio of solids to solvent or by replacing some, or all, of the solvent with a harmless pigment carrier such as water.


Electrostatic spinning bells apply 'clearcoat' to a Rover 600 in the paintshop at Cowley. Advanced coating techniques in car plants can pose problems later for the refinisher attempting to duplicate original finishes


Eighty cans a minute: 3.5 litre containers of automotive topcoat refinishing paint flow from a high-speed filling line in Germany

Another approach is to improve spraybooth filtration systems to prevent VOCs being released into the atmosphere, as well as improving paint application systems so that more paint ends up on the vehicle rather than on the spraybooth floor.

Paint companies are obliged by law now to provide products which meet the staged reduction of VOCs required by the EPA. At present, the law applies only to bodyshops buying more than two tonnes of VOCs annually, which have to have authorisation from their local authority to operate.

The limit has proved too high to affect any but the largest bodyshops – and the control has been limited further by the Department of the Environment allowing bodyshops to offset solvent products returned for recycling against purchases when calculating the registration threshold.

Those bodyshops having to meet the two tonne requirements of the EPA feel that they are at a competitive disadvantage and there is a strong groundswell of resentment that the main pollution culprits are smaller, ill-equipped bodyshops not covered by the Act.

The EPA is, however, an enablement act which means that the DoE can reduce the present two tonne limit at any time. The industry is expecting reduction by the end of the year, possibly to one tonne, although the majority of industry observers are in favour of a much lower limit, a quarter of a tonne in some cases or even zero in others. In any event, the main elements of the VOC reduction objectives of the EPA have yet to implemented. These have already resulted in dramatic developments both in product technology and applications equipment.

All the leading paint companies have introduced 'high solids' paint which will meet the first stage regulations coming into force in 1995, and certain companies such as ICI Autocolor, Glasurit, the BASF refinish business, and DuPont have already introduced water-based refinish paints in the UK designed to meet the more stringent requirements which will come into effect in 1998.

Water-based paints are already widely used on vehicle production lines but can be more sensitive to temperature and humidity variations than their conventional solvent-based counterparts. There are probably only a few hundred UK bodyshops now using water-based refinish paints and many others see few, if any, commercial advantages in changing to water-based yet.

ICI and Glasurit argue, however, that bodyshops using water-based systems now will be able to build up their experience of new technology well in advance of legislative requirements.

Other paint companies take an opposing view, arguing that waterborne paints are more expensive, dry more slowly and are only available in limited colours. Some say future product developments may well enable the strict 1998 VOC levels to be met without a switch to water anyway.

Paint manufacturers also have to watch what is happening in the car factories. There has been a dramatic increase in the use of 'pearlescent' paints and other special effects finishes such as tinted 'clearcoats,' already available in Japan. All of these developments will create big problems for the refinisher in extended repair times and the special skills required to duplicate the original finish.

Part of the same problem is the whole question of colour matching. Vehicle manufacturers are introducing more than 1,000 new colours a year – and it can take about eight man-hours in the laboratory to produce a refinish paint formulation to match an original factory colour.

Colour-matching systems are one of the refinish paintmaker's biggest financial commitments. The use of new materials on vehicles such as plastics and aluminium also affects colour matching, applications techniques and product technology. It is clear that in the coming years the environment will continue to be the single most important factor influencing new product development in refinish paints.

In the past, different markets have had different refinish paint systems. The sophistication of current systems, and the level of research funding needed, means that we are moving rapidly towards global refinish paint technology, with fewer companies having the resources or commitment to continue to develop in this area.

Moreover, continued reductions in paint solvent levels and improved applications techniques will inevitably result in the continued decline in the volume of refinish paint sales, though product costs will rise.

There are six multinational companies producing paint for the UK market: Akzo, BASF (Glasurit and RM), DuPont, Hoechst (Herberts Standox and Spies Hecker), ICI and PPG.

Industry observers ask if there is enough room for all these leading suppliers – or will changing strategies result in some of them increasing their market share by acquisition and in others selling off their refinish paint divisions?

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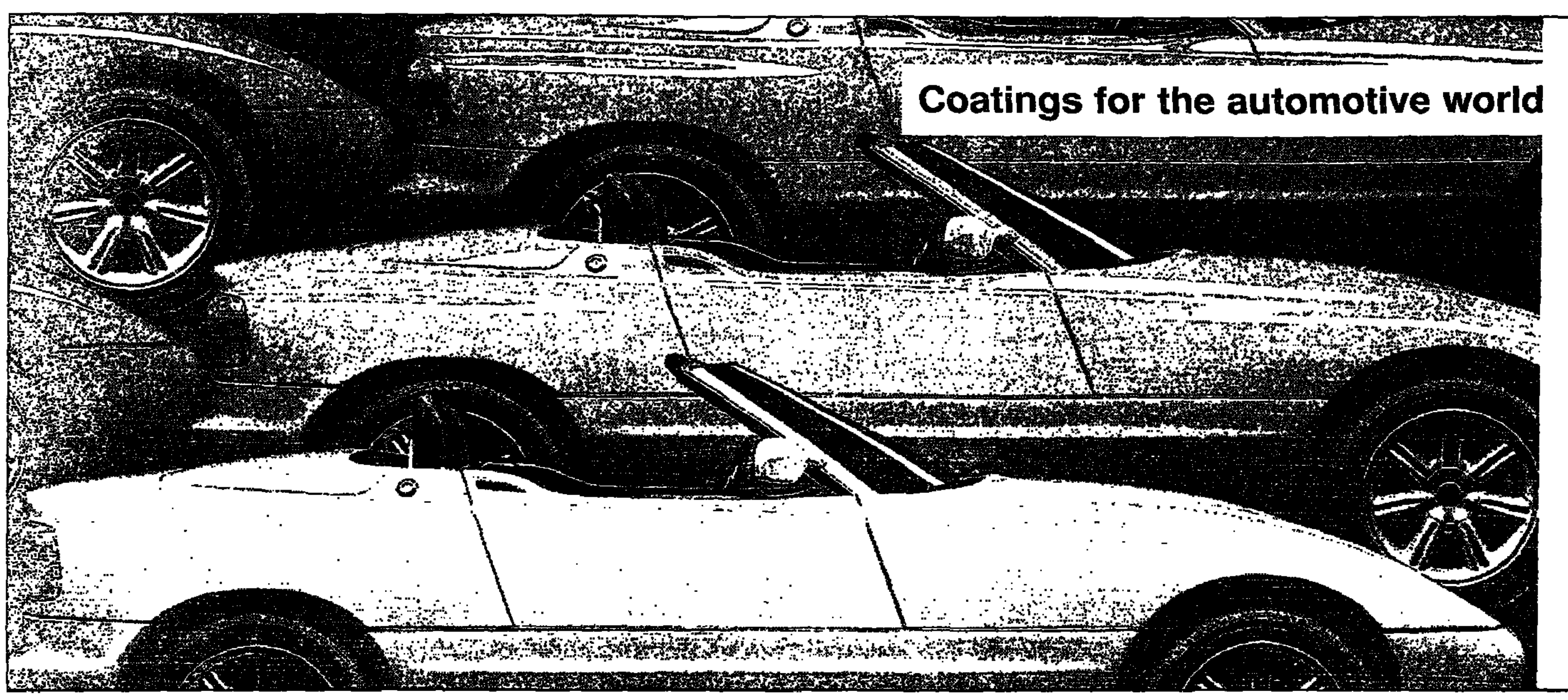
The writer is publisher of Bodyshop Magazine.

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The seven ages of paint production

Emphasis on management

Fortunately for the coatings industry, management skills have been well applied in the past couple of decades, writes John Asher

Most of today's coatings technologies were conceived by the 1960s, before environmentalism was even a twinkle in Californian eyes. Plastics were being powdered and fused to metal. Laboratories were finding out the mechanisms by which some liquids could be solidified with ultraviolet light. Life in the coatings industry flowed on tranquilly, with all the excitement of watching paint dry.

Then marketing burst in on the scene. By the mid-1960s, the DIY industry was blossoming, and one of the largest single drivers was the multi-million marketing spend of large paint companies – with Hadrian, Valspar and Magicote setting the pace for Dulux and Crown to match.

Industrial paints remained aloof from these antics, considering a half-crown slipped into the lid of each tin for the paint shop foreman to be a more appropriate purchasing inducement. Indeed, so successful was this approach that some foremen were known to pour fresh paint down the drain to keep up the supply of half crowns!

The industry's complacency was rudely shaken by the oil crisis in 1973. Solvents quadrupled in price. Paint companies scurried to reduce solvent usage. Around this time, industrial coatings users were trying to raise productivity in paint

John Asher, above, observes that industrial coatings companies have sought to sharply focus product ranges and globalise their marketing

shops. Previously, the painting process had been the Cinderella department of many factories, but the combination of rising oil prices and rising paint shop productivity gave a real impetus to new industrial technologies.

By contrast, decorative producers' concern about solvent costs was not enough to force radical technical change, but by the mid-1970s it was dawning on producers that California's quest for cleaner air was more than just an aberration among people who had spent too much time in the sun. Stricter environmental regulations were set to become a fact of life for the paintmaker.

Gradually, coatings companies caught up with the spirit of the times, and this became the age of divorce. Twenty years previously, paints were more or less similar products across the decorative/industrial spectrum. But by the 1980s the strategic drivers of industrial and decorative paints businesses had become completely different. Decorative paints, both for trade and DIY use, became driven by the needs and demands of their distribution channels.

With limited product differentiation, brands which had weathered 50 summers were easily peeled from the shelves of the DIY sheds if they failed to live up to their distributors' expectations.

Industrial markets were differently driven. Users of coatings were globalising, and industrial coatings managers had to become international managers. Backing the winning hand of new technologies became critical for each market, so technical competence was crucial. Environmental issues became fundamental drivers of industrial coatings strategy, while remaining marginal issues for decorative businesses.

As management processes and philosophy diverged, the divorce between industrial from decorative businesses was the only answer, even if both parties sometimes chose to continue living under the same corporate roof. Businesses with less than critical mass in both decorative and industrial areas got rid of the weaker partner, or they were acquired by a stronger company who did it for them. Environmental pressures were now affecting the shape of the industry.

The number of companies supplying the retail market dropped as a result of the decorative shake-out, but the stronger industrial coatings companies still clung on to most of their historical markets.

For example, since most industrial coatings companies supplied coatings for metal, and since powder coatings were taking a steadily increasing share of that sector, the companies which had supplied liquid coatings nearly all invested in powder.

At one stage there were more than 18 UK companies making powder coatings, most with a far smaller share than the harsh economic realities of the business would allow. A third was all that was needed for both efficiency of scale and competition. This is the number of significant powder coatings producers the UK now has.

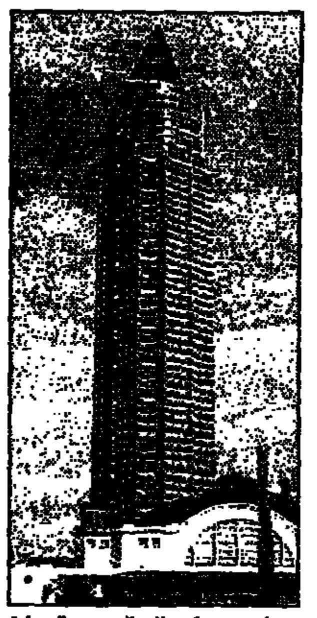
As these rationalisations have peaked, the past few years have marked the age of portfolio restructuring. Decorative businesses have been regionalising whilst industrial businesses have sought to focus and globalise.

With the exception of some speciality finishes, particularly wood finishes, truly international retail brands are still thin on the ground. 'Own-label' manufacturers such as Kalon are regionalising in Europe to exploit their transferable operational skills and build the economies of scale which are vital to them.

Environmental pressures on decorative architectural coatings are growing but are still an insignificant driver of strategy compared with distribution channels or manufacturing economies of scale.

The do-it-yourself paint consumer continues to buy on the basis of price, colour and finish from any brand, or own-label brand, perceived to have a good reputation. Environmental considerations are well down the list of purchasing determinants.

Industrial users now, by contrast, are increasingly constrained by environmental regulations: coatings and coating procedures with lower environmental impact have become crucial in every sector. Since no industrial coatings company can now keep up the pace in all their historical markets whilst trying to globalise and master all the technologies required, portfolio changes have recently been as frequent as car boot sales. They have radically affected nearly all industrial coatings suppliers as they seek to build competitive positions.



A leading application for powder coatings is for aluminium facades – as used extensively on the exterior of the exhibition centre tower in Frankfurt, Germany

Today's important question is: 'What is the seventh age, and what will happen in the next decade?'

Portfolio restructuring will continue, but at a slower pace because the number of competitive coatings suppliers is approaching the minimum that the market will tolerate to retain competitive supplies. Aerospace manufacturers now really only have a choice of two coatings suppliers while automotive manufacturers have a choice of four or five. This will be the time to digest what companies may have rather hurriedly swallowed during the past few years. It will be the age of management.

Fortunately, management is something the coatings industry has become rather good at over the past couple of decades. Coatings businesses which are subsidiaries of heavy chemical majors, rightly supply more than their fair share of managers, culture and ideas to their institutionalised parents.

Managers with a coatings background, even those with quite a modest area of responsibility, have had to develop good strategic understanding, high customer care skills, long term customer-supplier relationships, high quality products efficiently produced – all the ingredients of successful modern business. Often they interface with state-of-the-art customers in their daily work and some of the best industrial strategy and practice rubs off in the process.

Environmental pressures may have pointed the direction for the industry. That it has arrived safely is because its management has grown with the challenges and thrived on strong and fruitful links with its customers. This should be a formula for success, in any age.

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The writer, John Asher, has worked in the coatings industry for 26 years, with 15 years as a director of what was then Crown Paints and 11 years as managing director of Crown Industrial Products. He is now a consultant working in the chemical industry and author of the Financial Times Management Report, 'Industrial Coatings – A Time of Change?' published in 1993. UK price, £278; overseas, £288 ($461).

Consumers are willing to pay more for easier-to-use, water-based coatings, says Roland Adburgham

Woodcare products: no backwater sector

The cat depicted walking along a fence on cans of Cuprinol's 'Garden TimberCare' isn't there as a piece of whimsy.

Nor are the flowers gaily flourishing along the bottom of the fence. The illustration's intended message is: this product won't hurt either your pets or your plants. Cuprinol's research showed this was consumers' first concern – even more than the safety of their children (it may be charitably assumed that if people believe a product is safe for animals, that includes offspring.)

The sales growth of such water-based fence coatings was nearly 12 per cent in Britain last year. Other exterior woodcare products are flourishing: Roncraft says its water-based woodstain increased sales by 45 per cent in 1993. This has countered static or declining sales in other sectors of the market, although Roncraft, the market leader in interior varnish, is encouraged this year by the strengthening of the housing market.

Overall, the consumer market – mostly through do-it-yourself stores – is estimated to have expanded last year by 4.5 per cent to £111m. In addition, there is the trade market of around £50m and an industrial market of about half that – "woodcare products are assumed to be a bit of a backwater in the surface coatings industry – but that couldn't be further from the truth," says Mr Jim Byrne, Cuprinol's marketing director. "It is a quarter the size of the paints industry – and growing. It is a dynamic, thrusting industry, in contrast to the surface coatings industry which is very staid."

He admits woodcare has had a prosaic image compared with paint. It is one the industry leaders seek to counter with television advertising campaigns, capitalising on the broadening appeal of natural wood within the home and its increasing exterior use for window frames. The market itself ranges from products which prevent decay to decorative finishes. Cuprinol, which is based in Frome, Somerset, and was acquired by Williams Holdings in 1988, and Roncraft, owned by the US company L & F Products, each have about a quarter of the consumer woodcare market.

With smaller shares of the retail market are Sikkens, Sadolin and Dulux (ICI), although these three have larger shares of the trade market.

> Sales of do-it-yourself exterior woodcare products are flourishing

Innovation is being stimulated by the trend away from solvent-based products to water-based products with low-odour formulations. The driving force for this is the consumer: water-based products are quick-drying and brushes can be washed out. They also cost more and, in most cases, the performance has yet to equal solvent-based products – they do not penetrate as deeply and are not as durable. The water-based formulations are more complex but the consumer is prepared to pay a premium to have the convenience.

In contrast, Mr Byrne says, the professional trade still has "considerable resistance" to water-based products as it is more concerned with performance and price. In the retail market, where consumers make only occasional purchases, it is the convenience, rather than environmental factors, which is at the forefront of their buying decisions. Mr Ged Shields, marketing director of Roncraft, says: "Our research shows consumers are much more concerned with the home environment, rather than the wider environment."

Mr Shields says it is generally agreed that water-based products are in fact more environmentally friendly, although the equation is complicated.

Solvent-based products, using mainly white spirit, evaporate into the atmosphere where they mix with vehicle emissions to cause smog.

On the other hand, water-based products, being less durable, will need to be used more frequently, which has implications for energy and packaging use. Then there are the chemicals which are washed out of the brushes and into the drains. Health and safety legislation affecting UK woodcare products was virtually non-existent only a decade ago, but now, says Mr Byrne, "we are one of the most heavily regulated industries within the do-it-yourself sector."

The main legislation on the use of pesticides is the Food and Environmental Protection Act 1985. A product which makes any claim as a preservative has to be registered with the Health and Safety Executive; in 1990, it banned the use in consumer products of lindane, pentachlorophenol and tributyltin oxide. Cuprinol, the preservative market leader, had already replaced these with acypetacs-zinc and permethrin. More reforms are coming with European directives on formulations, labelling and containers.

Mr Byrne points out that while manufacturers have to ensure their products will not harm, for example, bats in belfries or bees in hives, consumers want to know a preservative is effective, especially because the combination of the damp UK climate and low-quality softwood encourages decay – "a claim of potency is a good marketing claim," he says. "We have to make the product as effective as possible while as safe as it can be – there is a trade-off there."

■ PRODUCT DEVELOPMENT

Radical shift in attitude

So where is the paint industry going? From what its leaders say, there has been a fundamental change in attitude, with not only new products developed or on the way, but also fresh approaches to management, writes Ian Hamilton Fazey

Paint product development is dominated by the desire to use fewer volatile organic compounds (VOC) in solvents. More water is one answer. Other coatings have higher proportions of solids – pigment and resin – than before. Meanwhile, some companies are specialising in powder coatings, which have no solvent at all.

In all companies there has been a shift away from pure research. Beckers, the Swedish paintmaker, now calls its laboratories the product development department, typifying a growing concentration on working up what the industry now has, rather than looking for something new.

"Purer" work is going on – but at bodies such as the Paint Research Association, where it is jointly funded, or at some universities, where projects are sponsored. In companies' own labs, work is focused and driven by the needs and problems of industrial customers.

These relationships with the users of industrial paints are deepening and changing paints companies' approach to management. There has always been symbiosis, particularly in the automotive industry, where paintmakers have given car manufacturers guaranteeable anti-corrosion technology.

The car business now exemplifies the latest management developments. Numbers of competitors for OEM – painting cars during manufacture – have been reducing steadily for 10 years.

But even while four or five remained, competitive supply still had much to do with the price of paint.

Now, both carmakers and paintmakers have realised that having fewer paint companies supplying the OEM market – worth about £650m a year in Europe alone – is the way to lower overall costs. As Dr Marvin Hartman, one of PPG's leading chemists, puts it: "There is a lot more cost in painting than the cost of the paint. It's the whole process of getting it on to the car."

Dr Manfred Hopp, chief executive of BASF Lacke & Farben, says: "Only 10 to 20 per cent of a paint shop's cost is the cost of paint. The process is much more costly.

"We hope to get away from stupid negotiations on raw material prices. It is the total cost per painted car that matters, including the process cost."

There is some self-interest in this because paint has historically been priced by the litre. High technology modern coatings do a better job with less paint, but persuading purchasing managers they should therefore pay more per litre is another matter. Changing the pricing structure offers better prospects.

The automotive industry is making this possible by moving away from competitive supply at individual plant level. Carmakers may retain several paint suppliers overall, but will give a franchise to only one per plant.

PPG and BASF have now emerged as the two front runners in the market, but each is adopting a different approach. PPG thinks carmakers should outsource the whole painting process, with PPG managing and staffing the paint shop. BASF is openly hostile.

"There is enormous price pressure and everyone is trying to bring in savings," Dr Hopp says. "We are very good at making paint, but not necessarily at other things. We believe that by bringing together experts in car manufacturing, paint supply and application equipment manufacturing – as well as those in car design or design of car plants – we can work as team to optimise the whole process."

Mr Austin O'Malley, who has been responsible for building PPG's OEM presence in Europe, disagrees.

"The body of knowledge about painting cars is now resident in the paint industry," he says. "We have the experience, knowledge and resources – and the critical mass. You need to be able to provide eight people per shift to replace the car company's own engineers. We are now big enough to offer this. Most of our competitors are not."

Advanced application system: a cathode electro-coat (CED) tank at the technical centre for vehicle finishing at Herberts – part of the Hoechst group – located at Wuppertal, Germany

The answer to the question of which approach is better – or if neither is – will be decided over the next 10 years at individual factories of Ford and General Motors as they plump for one supplier at each – and the management system to go with it. It will be a new type of competition to that of simply undercutting to supply cheaper paint.

Meanwhile, technology is driving the development of powder paints, which contain no solvent at all and are therefore ultra-friendly to the environment.

The raw material is made by milling together pigment and resin finely enough for the resultant powder to be sprayed onto heated metal objects. An electrostatic field ensures they deposit evenly; the heat sets off polymerisation and a coloured film forms over the surface, 'painting' it. Oversprayed powder is collected and recycled.

The process works well on items like aluminium extrusions for window frames, under-the-bonnet car components or office light fittings, but films are thick and achieving a hard gloss is difficult.

The powder market was very fragmented, but is now concentrating worldwide, with a few companies – notably Courtaulds Coatings of the UK, Herberts of Germany and Ferro of the US – trying to solve the problems.

Laporte, which now owns Evode Powder Coatings in the UK, is developing powder application methods for plastics – and aims to threaten wet paint in this segment.

Courtaulds believes thinner films – the key to challenging wet industrial paints – will be achieved through engineering as much as chemistry, by milling to the fine particle standards of the cosmetics industry.

Formulation – resin design and deciding the ratio of pigment – will become more critical, and cannot be done by anyone.

Partnership with industry is also important here. Euramax, the aluminium coil coater, is experimenting with powder, though using single sheets of metal, rather than a continuous strip at present.

Mr Roger Walters, the chief executive, says powder offers multi-coloured and embossed finishes – impossible with wet paint, which provides a uniform coating.

Meanwhile, director Mr John Bernie says the Paint Research Association is looking at more distant technologies.

For example, a biomimetics programme is studying how crabs and barnacles develop natural coatings from waterborne compounds in the sea, which then will not dissolve in water afterwards.

The implications for waterborne paints, which are at present more suited to indoor than outdoor use, are obvious.

Rising prices for the paint ingredient, titanium dioxide

Triumph tinged with irony

This year is on course to be one of triumph for manufacturers of titanium dioxide, reports Daniel Green

A series of price rises in titanium dioxide – a vital ingredient in paint, plastic and paper manufacture – is pushing the average price around the world towards $2,000 a tonne.

But the triumph is tinged with irony: so deep were the price cuts during the early 1990s, that even at $2,000, the price is barely what it was four or five years ago.

For the first time since the start of the decade, titanium dioxide producers have managed to make price rises stick. Most recently, US producers, led by Hanson subsidiary SCM, last month raised prices by three cents a pound, or from about $1,920 to £1,990 a tonne.

This rise followed a price hike by European producers last year. They attempted to raise prices by up to 20 per cent and succeedded in implementing 10 to 15 percentage points of that. They are beginning to push the rest through now, according to Mr Jim Fischer, president of New Jersey titanium dioxide consultancy consultancy, International Business Management Associates.

The European price rise was so much higher than that in the US partly because they were a response to falls over the previous 12 months that were some of the sharpest in recent history. The partial collapse of the European exchange rate mechanism in late 1992 and 1993 "ratcheted down" titanium dioxide prices in Europe, says Mr Alan Pedder, chief executive of ICI subsidiary, Tioxide.

As currencies of countries which have titanium dioxide manufacturing plants fell – they included sterling and the escudo – titanium dioxide prices across Europe tended to fall to match the new lower prices. According to Mr Fischer, prices fell by 25 per cent in Europe during 1993 before October's rises.

In the Asia Pacific region, the trends have been similar although prices are historically below the levels in the western hemisphere, thanks to a combination of low labour costs and, in some cases, very modern plant. Prices recovered from about $1,600 a tonne to £1,800 and still rising.

The causes of this turnaround in world prices for titanium dioxide are only partly economic recovery: changes in capacity and patterns of demand have meant that some plants are approaching maximum output much more quickly than they would have done five years ago.

Total world capacity is 3.7m tonnes a year, if the published capacities of the world's titanium dioxide plants are added up. According to Mr Fischer, this over-states real capacity by almost 300,000 tonnes a year because many manufacturers have allowed some plant to fall into disrepair during the last few years of chronic low world price.

Even then, world consumption is less than 3m tonnes a year, implying over capacity of 400,000 tonnes a year. But some plants are already operating at very close to capacity because of the high demand for one kind of titanium dioxide, that produced by one of the chloride process of manufacture.

Titanium dioxide, made by the chloride process, is in greater demand that that made by the alternative sulphate process because of its technical characteristics such as durability and glossiness in paints.

Research by Mr Fischer suggests that the average chloride method plant is operating at 93 per cent capacity which the average sulphate plant is operating at about 73 per cent. This helps explain why US price rises have been led by SCM and in Asia by Du Pont, which are highly dependent on the chloride method.

In the past, the arguments over which of the two methods is better have centred on the apparent ecological unfriendliness of the sulphate method. Mr Pedder argues that environmental laws mean that any sulphate plants still operating are as clean as their chloride rivals.

He defends the sulphate process, perhaps not surprisingly because Tioxide has more sulphate capacity than chloride. He says that sulphate-produced titanium dioxide is more suitable for dyeing fibres and that in any case 70 per cent of consumption has a choice of using the material from either source.

In the end, it may simply be price that decides if manufacturers continue their trend towards relying on the chloride process.

Mr Fischer says that the sulphate process is an inherently higher cost method of production. This is bad news for most European manufacturers which still use it to a great extent.

Although there are some high efficiency sulphate plants, such as Tioxide's in France and Spain, and Rhone Poulenc's at Le Havre in France, most of the impetus of the European price rises in Europe, says Mr Fischer, were "cost-driven."

The US and Asian producers, especially SCM and Du Pont, on the other hand, have been able to raise price simply because they could.

"They were market-driven rises," he says.

In the short term the effect looks the same to the consumers of titanium dioxide. But the 70 per cent of titanium dioxide customers that are free to use the output from either process may yet have the last word.

Eventually, price bargaining and discounting will once again take the centre of the titanium dioxide stage, and then the growing profit margins of the chloride producers could severely damage the health of the higher cost sulphate plants.

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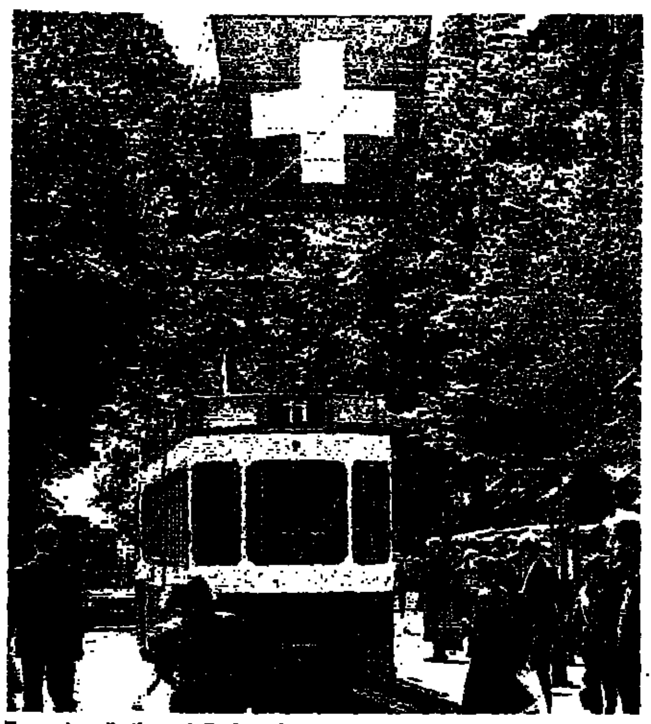
FINANCIAL TIMES SURVEY

Manufacturers worry that their domestic orders have fallen: **Page II**

SWITZERLAND

AlpTransit proposes two new high speed rail tunnels to Milan: **Page IV**

Friday April 8 1994



Trams trundle through Zurich, skiers gambol in the snow at Verbier, the Rathaus cathedral stands grandly in Basle – and the Economist newspaper, reading the statistics, recently pronounced Switzerland the world's most desirable country in which to live

Increasingly awkward position

Despite a resilient economy and a tranquil political scene, the Swiss remain uncertain about their future in a more integrated Europe. **Ian Rodger** reports

By any measure, Switzerland is doing pretty well these days.

It has a strong currency, a resilient economy, a restored status as a banking centre and a relatively tranquil social and political life. It even has some fresh outside endorsements.

The Economist newspaper recently pronounced Switzerland the world's most desirable country in which to live, on the basis of a synthesis of economic, social, cultural and political statistics. And a survey last month by International Survey Research found that Swiss workers were the most satisfied in Europe.

This represents quite a change from the late 1980s when a series of unseemly scandals in business and government and uncertainty about European integration were undermining Swiss confidence.

But beneath the surface doubts and problems persist. Having decided in a referendum 15 months ago to keep their distance from the European Union, the Swiss remain bemused by the integration process going on around them.

They also sense that the strategic assumptions on which they have anchored their policy of armed neutrality for nearly 200 years no longer hold, but they are not sure how they should fit into the post-cold war world.

And they are startled by an increasingly raucous tone in their internal political debates, reflected in a sharp polarisation of voting patterns in recent local elections and the tragic inability of all levels of government to agree on a policy for dealing with the country's outsized community of hard drug addicts and dealers.

For the moment, though, most Swiss are probably just relieved that things are going as well as they are.

In late 1992, as the debate swelled over whether or not the country should join the European Economic Area (EEA), political and business leaders warned of dire consequences – an exodus of industry and a slumping economy – if the EEA was rejected.

In the event, the people voted by a small majority to stay out of the expanded free trade area which unites the EU and the countries of the European Free Trade Association (Efta). Yet so far no significant negative consequences can be directly attributed to this decision.

On the contrary, there is widespread agreement, even among European integration advocates, that the decision has bolstered Switzerland's previously flagging status as a financial safe haven.

New investment funds have poured into the country in the past year at a rate not seen since the early 1970s when the central bank ultimately had to impose negative interest rates to staunch it. While it is true that external events – a new withholding tax in Germany and political turmoil in Italy - provoked these flows, it is also true that much less of it would have come to Switzerland if the country had joined the EEA.

The inflow – which in fact began a few months before the EEA vote – enabled the Swiss National Bank to begin lowering interest rates well before other European central banks, and that in turn helped reduce inflation and lay the base for the economic recovery which seems to be getting under way this year.

Whether the EEA decision has had any structural impact on Swiss industry remains unclear. Corporate investment has been at a low level anyway, and the rise of unemployment to record levels in the past year is attributable mainly to higher female participation rates and the tendency of guest workers not to return to their countries when they lose their jobs.

Nevertheless, there remains an uneasy sense that some day a price will have to be paid for the arrogant decision to remain aloof from the European club – a sense that was heightened last month when, in another referendum, a majority voted to ban all transit lorry traffic from the Alps from 2004.

Swiss authorities may say that this latest decision was motivated entirely by environmental considerations and is in the mainstream of progressive European transportation policy, but neighbouring countries have been offended by this unilateral move and have already threatened retaliation.

Planned negotiations later this year between Switzerland and the EU on other air and road transport issues will not be made any easier, and Swissair, the national airline, could find itself unwelcome at some EU airports.

The federal government finds itself in an increasingly awkward position on European matters. It is caught between its conviction that integration is essential and inevitable for the country's future welfare and security, and the mood of the Swiss population, which shows no sign of having shifted since the EEA vote.

This discomfort was reflected in a foreign policy statement in December which restated the goal of Swiss integration into the European Union, but eschewed setting any timetable for it, for fear of stirring up the Europhobes.

The otherwise bland statement did contain one remarkable chapter – devoted to the issue of neutrality. It effectively laid the basis for jettisoning this sacred foundation of Swiss foreign policy, arguing that neutrality was never an end in itself, but merely a means of preserving Swiss independence.

The paper suggested that today, when 70 per cent of imports come from EU countries, Swiss independence is threatened more by not having a say in EU policymaking than by any hostile military power.

So far, the Swiss have shown little inclination for full debate on strategic policy, but that could change soon. In June they are to vote in a referendum on providing blue helmet troops to United Nations peacekeeping operations, which should refocus attention on strategic issues and the future role of the Swiss military.

The country still has one of the largest armies in Europe, with 600,000 men capable of being mobilised within a few hours. The government decided, three years ago, that such a large force was no longer necessary following the collapse of the Soviet empire. From next year, force levels are to be reduced by a third, with whole regiments disappearing. So far, this restructuring has not been accompanied with the howls of protest that greeted similar cutbacks in some other countries, but it could have a big long term social impact. The militia army has long been one of the few unifying forces of Swiss society – the "Place de la Concorde" where men from all social strata and linguistic groups get to know each other in testing circumstances.

Some people fear that the country is already showing signs of losing its delicate cohesion, and that social and political debates are becoming too strident. This has been especially apparent in the Zurich region in recent months, as public anxiety over rising drug crime has mounted.

The marginal right wing Swiss People's Party (SVP) seized on this anxiety in recent elections in the country's largest city, campaigning aggressively against the liberal approach of those it sneeringly called *"die Linken und Netten"* (the Lefties and the Do-gooders) to the drug problem.

The people responded, voting in 19 SVP representatives to the 125 seat city council on March 6, compared with only seven in 1990.

It was hardly a coincidence that the federal government, which has dithered over drug policy for years, leapt into action the following week, passing tough new measures to curtail the rights of asylum seekers. Many drug dealers in Zurich are former Yugoslavs who have exploited the asylum law to avoid extradition.

Civil rights activists were appalled, and opinion leaders in distant French-speaking cantons grumbled about further proof that the nation was being forced to subordinate its priorities to those of Zurich.

It all seems a bit un-Swiss, but it would be wrong to forecast any serious deterioration of the still exceptionally high quality of life in the country. The Swiss are too tough and practical to let that happen.

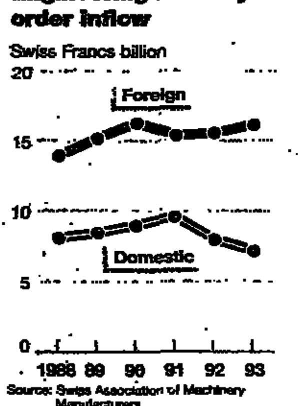
Andrew Fisher reviews the state of manufacturing industry

Domestic orders have fallen off

For a country of less than 7m people, Switzerland has some of the most internationally-oriented companies in the world.

Many of them sell more abroad than at home and some – notably in the textile machinery sector – even produce more outside than inside their own country. In the mechanical and electrical engineering industry, exports account for nearly 70 per cent of total turnover.

Yet there is a worrying aspect to this success in foreign markets. It is not that companies' performance is so closely tied to growth elsewhere, notably in Germany. That is the overall competitive and economic environment in which companies are used to operating.



What concerns the industry is that domestic orders have fallen so sharply in the past few years. Last year, according to the Swiss association of machinery manufacturers (VSM), new domestic orders fell by almost 10 per cent after a near 17 per cent collapse in 1992. Foreign-orders rose by 3 per cent, producing an overall decline for 1993 of 1.2 per cent.

Although domestic business picked up strongly in the fourth quarter, that was only because of some large orders from the army and Swiss railways. With a quarter of its home market having disappeared since 1991, Mr Thomas Gasser, the VSM's president, is arguing strongly for a political decision to prevent capital investment being postponed until the introduction of value-added tax in 1995.

The VSM estimates that at least 10 per cent or some SFr1bn of investment which would benefit VSM companies could be delayed. The reason is that VAT will not be levied on such investments, unlike the previous indirect tax system. Whatever the outcome of this issue, the VSM does at least see the chance of an overall improvement in its members' business this year. "I'm moderately optimistic about 1994," says VSM's director Mr Martin Erb. "I expect more orders from abroad and I hope domestic orders will stabilise."

Much, of course, depends on what happens in Germany, by far the biggest customer. The European Union accounted last year for just under 60 per cent of the industry's exports, which were down slightly to the region overall. Mr Gasser is not over-optimistic about the immediate prospects for the German economy and thus for the rest of Europe.

Helping to counter this trend near to home has been an explosive growth in Asian markets. Leading these last year was China where exports by the Swiss machinery and electrical sector rose by 59 per cent. China thus overtook Japan as the industry's largest customer in Asia.

Altogether, exports to Asia rose by more than 9 per cent, with steep rises also recorded in Malaysia, Hong Kong and Singapore. Yet such successes could not wholly compensate for the problems elsewhere. The turnover of VSM companies last year fell by 6.6 per cent to SFr24.1bn.

Mr Gasser, also deputy chief executive of ABB Asea Brown Boveri, the Swiss-Swedish engineering concern, has no doubts about the innovative abilities of Swiss companies as they strive to reverse this trend. "We're as good as anybody else," he says. "Large countries have all been decentralising. This will spur innovation."

Also, he stresses that Switzerland's traditional attributes of quality, efficiency and peace on the labour front will continue to stand industry in good stead. "From the competitive point of view, I feel fairly strongly that there's nothing wrong with industry."

Where he does see a problem is in the structural rigidities which have developed in the Swiss economy. The Swiss are used to living well and cartels and monopolies have been allowed to prosper.

Mr Gasser does not think there is enough urgency, either in the government or among the population, in pursuing this issue. "We're too happy with ourselves," he says. Cartel groupings and local curbs on public purchasing in other areas – both of which the government is now trying to combat under its "revitalisation" programme – affect industry's costs, he points out.

Because of Switzerland's high productivity and longer working hours, unit labour costs are actually lower than in neighbouring Germany – a big competitor as well as customer. However, this advantage will not necessarily last. "Next year, unit labour costs in Germany are likely to stagnate, as in Switzerland this year," says Mr Alois Bischofberger, economic research head at Credit Suisse. "The competitive advantage against Germany is likely to disappear."

Like other economists, he is not dismayed by the strength of the Swiss franc against the D-Mark and other currencies. "Experience shows that currencies are not the most important factor," says Mr Hans Kaufmann, head of Swiss research at Bank Julius Baer. "More important is the recovery in other economies."

As yet, the signs from world markets are mixed. Mr Fritz Fahrni, chief executive of the Sulzer engineering group, sees slight indications of a recovery in North America but does not expect much growth in Europe. "I'm afraid there is no boom around the corner."

Sulzer is one company which has been rationalising its production and management to stay competitive. Like ABB, it has been encouraging older managers to retire and striving to bring on new products – as in its fast-growing medical technology division which accounts for 36 per cent of R&D – as rapidly as possible.

However, this streamlining trend in industry has further to go. "Not all plants have been rationalised," notes Mr Kaufmann. "Some of the smaller ones failed by underestimating the amount of reorganisation and investment (both in money and effort) needed in new computer systems and software."

"If you want to compete with the Far East, you have to be very modern these days," he adds. As the export figures show, many companies have taken advantage of the prospects in Asian markets. But there is a social cost to this process of steady improvement: job losses.

The VSM says 10,000 jobs have been lost in the industry in each of the past three years. While this is not dramatic in an industry employing some 340,000 people, it is certainly an unwelcome change for a country where unemployment used to be virtually unknown.

THE ECONOMY

Pundits are wary

Slowly, cautiously and without flamboyance – rather like the Swiss themselves – the economy is recovering from a recession which has pushed unemployment up to levels not seen since the second world war.

Switzerland's recession has lasted for around three years and only in the last quarter of 1993 did the economy start to move back into growth. Although a Swiss recession may be unrecognisable as such to anyone from Britain, the US, or currently even Germany it has caused considerable strains in a small country so dependent on foreign markets and investors for its prosperity.

Even now, economists are wary of promising too much for 1994. "We've probably passed the trough of the economic cycle, but we are still in the very early stages of recovery," says Mr Alois Bischofberger, head of economic research at Credit Suisse. "Most people haven't realised this incipient recovery [is taking place] yet, as the labour market is relatively weak."

It is likely to stay weak for a while. At just over 5 per cent, or nearly 200,000 people, the jobless level will continue to be a dampener on the economy, holding back private consumption, which is expected to show little growth this year.

Mr Georg Rich, chief economist at the Swiss National Bank, says a stronger economic improvement than currently expected would be necessary to bring down unemployment significantly. "I don't see a turnround [in the jobless figure] this year, but if the revival accelerates next year, then it will decline further."

The general expectation seems to be for real economic growth of between 1 and 1.5 per cent in 1994 after a dip in 1993 – hardly enough to put much of a dent in the jobless total. But the high unemployment level also reflects the fact that fewer foreign workers are returning home, now that immigration rules have been relaxed.

Also, improved benefits have encouraged more people to register as jobless. More women are tending to join the unemployment statistics when they lose work rather than drop out of the labour market.

In addition, as part of the worldwide industrial restructuring process, many companies – especially the larger ones – have shed labour to become more efficient and competitive. It will not be until 1995 that both jobs and capital investment start to benefit to any real degree from economic growth. Next year's economic growth rate is likely to exceed 2 per cent, with exports up by around 4 per cent (against less than 3 per cent this year and a marginal decline in 1993) and capital investment rising by some 3.5 per cent after 2 per cent this year and a 4 per cent drop last year.

Exports held up relatively well in the latest recession; in 1992, they gained more than 3 per cent. This is partly because Switzerland went into the recession earlier than some countries and partly because of sharp growth in demand from countries in south America and Asia, though these account for a relatively small part of total sales abroad.

This year's export growth will, despite the strength of the Swiss franc, benefit from recovery in the US, continued buoyancy in south-east Asia and an improved economic situation in Europe, notably in neighbouring Germany. But with industry operating at little more than 80 per cent capacity, compared with more than 90 per cent in the late 1980s, there is still plenty of slack to be taken up before the employment situation benefits.

Productivity growth is now between 1.5 and 1.8 per cent a year, says Mr Bernd Schips of the economic research centre at the Federal Institute of Technology in Zurich. "So we need overall growth of more than 2 per cent, otherwise unemployment will stay high this year and next."

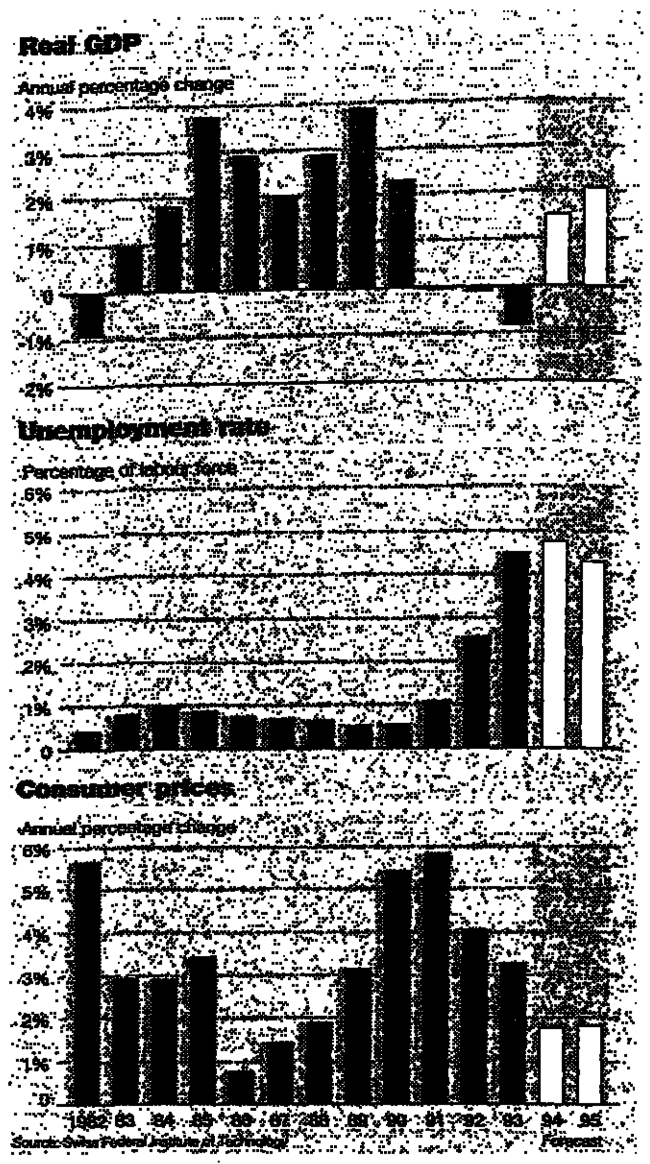
To understand the significance of a 5 per cent jobless rate – Mr Schips calls this "unbelievably high" by Swiss standards – it is necessary to remember that unemployment was unknown in the 1960s and did not exceed 1 per cent until the mid-1980s. In its report on the Swiss economy last year, the Organisation for Economic Co-operation and Development (OECD) said unemployment was one of the problems that could undermine some of the country's long-enjoyed advantages.

It also highlighted the need for a structural shake-up in the economy. The government has already embarked on a "revitalisation" programme, spurred by the need to act after the Swiss people turned down membership of the European Economic Area (EEA). The programme covers competition policy, the liberalisation of immigration rules, education and research, and trade, both international and internal.

Cartels need to be eliminated. "Cartels are widespread in the economy," Mr Bischofberger says. "The domestic economy is one of the most cartelised in Europe." Stronger action on this would help bring down prices, one obvious example being in the car business where importers have a monopoly.

Another area which needs to be tackled effectively is local protectionism in procurement policies. "In some cantons," Mr Bischofberger points out, "administrations and schools are not allowed to buy products and services outside the canton or even their municipality." The idea is to benefit local producers, but the effect is to keep prices high.

If Switzerland's revitalisation process is successful, its traditional strengths deriving from a skilled workforce, harmonious industrial relations, first-rate infrastructure and corporate innovation will be enhanced. With inflation falling towards 1 per cent - even though the move in 1995 to a value-added tax (VAT) system will give it a one-off boost - economic stability is being newly consolidated.



That still leaves the problem of the budget deficit. At nearly SFr14bn, it totals some 4 per cent of gross domestic product. The ending of recession will help reduce this, but the government also has to act. Mr Rich cites the case of a young economist who would probably earn at least SFr5,000 a year more if he joined the federal government than if he went to a bank paying market rates.

Andrew Fisher

Ian Rodger looks at the banking business

1993: 'annus mirabilis'

Swiss banks which are active in international asset management and securities and currency trading still bask in the spectacular success they enjoyed last year.

Most admit, however, that they benefited from a remarkable conjunction of positive forces. Interest rates fell throughout the year, driving bond prices higher and encouraging investors to shift more funds from fixed income instruments into equity markets, which also boomed. The all share Swiss Performance Index advanced no less than 40 per cent during the year and volume was active on the Swiss stock exchanges throughout the year.

Introduction of a withholding tax in Germany and continuing political turmoil in Italy encouraged more and more foreigners to store their savings in safe, stable Switzerland.

Swiss banks are normally reluctant to reveal the size of the funds they manage, but several reported that the amount rose by a third or more. Baer Holding, the parent of Bank Julius Baer in Zurich and one of the few to divulge fund figures, said its funds under management jumped 36 per cent to SFr45bn.

Meanwhile, continuing international currency instability enabled the banks to make handsome profits on their trading and financial engineering services.

The only banking business that did not do well last year was lending. Net interest income of all the big banks scarcely grew at all, and bad loan provisions were hoisted to record levels – to some extent, it is widely suspected, to hide profits from other activities. Given the continuing recession in Switzerland and elsewhere, the opportunities for balance sheet growth were few.

For the big banks, this slump was more than compensated by winnings elsewhere. For the smaller cantonal and regional banks, which rely almost totally on lending, it was a different story.

The trend to rapid consolidation in these sectors, which has been under way for the past three years, continued at a brisk pace. The number of regional banks, for example, has tumbled from 185 in 1991 to only 138 at the end of last year.

Among the most significant events was the merger of the two cantonal banks in Geneva, the Caisse d'Epargne de la République et Canton de Genève and la Banque hypothécaire du canton de Genève, into the Banque cantonale de Genève.

This long and carefully planned merger of two still sound banks passed off with scarcely a ripple. The same cannot be said for the collapse of a large regional bank in Lausanne, La Banque Vaudoise de Crédit, the bad loan provisions of which exhausted its capital late last year.

The bank thrashed about noisily for a few weeks, looking for rescuers. This caused a run on its deposits which had to be covered with emergency support from the Federal Banking Commission. Eventually, after several rejections, it was taken over by the state-backed Banque cantonale Vaudoise in December.

The regional banks association has since launched a scheme to try to prevent further erosion within its ranks. It proposes creating a central organisation which would carry out many transactions and back office functions for the individual banks, thereby making them more cost competitive with larger banks.

Swiss Bank Corporation in Basle *Jesper Dijohl*

Regional bank officials admit it is already rather late in the day for such a scheme. The combined assets of the 138 remaining members of the association is only SFr70bn, a mere third of the SFr207bn on the books of Swiss Bank Corporation, the smallest of the big three banks.

Swiss bankers have also been preoccupied in recent months with a blizzard of legislation and new regulations affecting them, in part a reflection of the federal government's desire to harmonise its practices with those of the European Union.

Revisions to the banking law to bring it into harmony with EU practice are in the final stages. The main debate has been over conditions under which the Swiss banking authorities should co-operate with their foreign counterparts. Oddly, one house of parliament wanted to minimise co-operation, fearing that it would undermine bank secrecy, but leading bankers convinced them that co-operation was in everyone's interest, and a balanced version in line with Bank of International Settlements' guidelines has finally won the day.

Bankers have also been trying hard to convince Berne that it would not be a good idea to impose the new value added tax, due to come into effect next year, on fees for managing foreigners' money. They fear that the resulting increase in fees will persuade many clients to move their accounts elsewhere.

The federal finance ministry, grappling with huge budget deficits, is reluctant to give way on any source of revenue, but the banks – and the country's struggling tourist industry – argue that it would be unfair to exempt the export of products from VAT but not the export of services. A decision is expected in May, but no one is predicting which way it will go.

A proposed federal stock exchange law and related regulations dealing with takeover bids is meeting resistance at various levels. The stock exchange law is needed to transfer regulatory power from the cantonal level to the federal level once the national electronic stock exchange begins to operate next year. But bankers have been upset about the drift of the proposed legislation towards strict detailed government regulation at the expense of self-regulation.

A strong divergence of opinion among banks and quoted companies on takeover bid rules could delay implementation of the bill. Some feel that any takeover rules must be accompanied by Euro-compatible monopolies legislation.

There have been suggestions that the takeover provisions be detached from the stock exchange law, so that the latter can pass more quickly. The fate of a bill to bring Swiss law on investment funds into line with EU practice is also in difficulty, even though the country has watched tens of billions of francs decamp to Luxembourg in the past few years, where the legal framework is more favourable.

Bankers place little hope on having stamp duty, a big irritant, removed from investment funds and they are resigned to the exclusion of Sicavs (unit trusts) from the legislation. The government claims the necessary legal framework for Sicavs requires more changes to the companies law as well, and that would be too time-consuming.

All this legislation comes at a time when business appears to be getting more difficult for many Swiss banks, especially those that specialise in portfolio management and dealing, than it has been for the last couple of years. No one has been surprised by the slide in the stock market in recent weeks. After three years of big increases, it was difficult to expect the upward trend to continue, but the bond market slump has been more upsetting.

The whisper in Swiss banking circles is that damage repair will be necessary over the next few months if clients' portfolios are to produce respectable returns in 1994. To judge by the recent sharply downward trend of bank share prices, investors suspect that the banks may have difficulty making their own profits look respectable, too. The encore to the annus mirabilis could be disappointing.

Andrew Fisher visits Esec, the semiconductors company

Market dictates a fast pace

Sales are rising so fast at Esec – a maker of specialised equipment for the semiconductor industry – that the small Swiss company has to be agile to keep up with growth in demand, especially from Asia.

"Every two years, there's a new generation of machines," says Mr Hans-Ulrich Müller, chief operating officer. In between, there are numerous modifications. "We would like to have a slower pace," adds Mr Peter Kilgus, chief financial officer, "but the market will not allow this."

Esec (European Semiconductor Equipment Centre) is based in Cham in the canton of Zug. It has no domestic market and sells most of its die bonding and wire bonding equipment – used to move and connect chips – to manufacturers in south-east Asia and South Korea.

Revenues last year shot up by 43 per cent to about SFr90m. It expects this to more than double by 1996.

Formed 25 years ago, the private company is the leading world supplier of this type of equipment; it is adding its Autoline assembly system to link the stages of the bonding process in computerised manufacturing cells.

> 'Asia is still booming and we expect an increase in business there'

Esec has to spend heavily to maintain the lead in its chosen market niche. About 20 per cent of its revenues go on research and development, which occupies some 40 per cent of its workforce of 260. R&D is carried out in Switzerland.

Esec's customers are the big names in the chip and computer industries. They include Intel, Microsoft, IBM, AT&T, Motorola, Hewlett-Packard and National Semiconductor of the US, as well as Hyundai and Samsung in Korea. Much of the equipment sold to the US groups is used for their production in Asian countries such as Malaysia, the Philippines, Hong Kong, Singapore, Thailand and China.

It is from Asia that the main impetus for growth now comes. Last year, sales in south-east Asia totalled 62 per cent of the total (a jump from 48 per cent the previous year); this excludes Korea, which accounted for a further 4 per cent.

Sales to Europe – where customers include Siemens and SGS-Thomson – dropped to 19 per cent of the total from 27 per cent, with those in the US accounting for 15 per cent (25 per cent). "Asia is still booming and we expect quite a substantial increase in business there," adds Mr Kilgus.

Its success in Asia does not, however, extend to the Japanese market. Nearly half of the world's semiconductor industry is in Japan, notes Mr Kilgus. "But it's very tough for foreign companies to get in, especially in our sector."

Esec's main product is the die bonder, for which it claims to be the biggest world producer with 35 per cent of the world market. It has 6 per cent in the newer wire bonding sector, but plans to reach 25 per cent (and top market position) in two years.

Esec has no intention of moving from Switzerland. "Salaries are high but there is good education and motivation," says Mr Müller. Esec recruits people from Swiss technical universities and trains them itself.

Max Koch founded his company, Komax, on a bright idea

Wiring up the car industry

When he was a young electrical engineering student in Zurich, Max Koch had the idea of making speed control units for cars. It was 1975, the time of oil crisis and motorway speed limits. Demand for his product took off.

Koch, now 44, set up a company to make the units. Because they needed lots of wires, he designed and built a special wire processing machine. Today, his company – Komax, a word play on his name – is the world's largest supplier of such machines, selling to the world's biggest car manufacturers and suppliers.

Komax initially supplied machines to cut and strip flat cables for the home electronics industry. Customers included big Japanese names such as Hitachi and Sanyo.

In 1981 it moved into the motor business, which now accounts for more than half of sales. As well as machines for cutting, slitting, crimping and notching cables, Komax also makes wire processing centres to produce whole cable harnesses for vehicles.

Koch: concentrating on strategy

Some 70 per cent of Komax's production is in Switzerland – the company is based in Dierikon near Lucerne – with 20 per cent in the US. The rest is in low-cost Portugal, where a new plant supplies the local operations of companies including General Motors and Siemens.

With the rapid growth of electronics in cars, Koch sees new opportunities. The increasing popularity of anti-skid brake systems (ABS) and airbags, for example, means more sensors to control these and thus more wires.

At present, Komax has around 50 per cent of the market for wire processing machines in Europe and nearly a third worldwide. In the US, business grew by almost 40 per cent last year, although recession has slowed performance in Japan and Germany.

Like other Swiss companies with profitable niches in world markets, Komax spends heavily on research and development: between 10 and 12 per cent of its SFr75m turnover.

With recession in Europe, where business declined by 10 per cent last year, Komax decided to modernise its product line in readiness for the next upturn. Its new range of wire processing equipment is fully automatic, with colour graphics, built-in quality control systems and simplified controls. Koch is more optimistic about prospects for 1994, after a 5 per cent decline in sales last year. He expects resumed growth of around 10 per cent in Europe. "Companies can stop buying for one or two years, but not for long".

Nearly 15 per cent of Komax's business is in Asia, with more to come. More machines will be developed for specific markets. "In the past, we tended to sell European machines to the US and Asia."

Koch himself felt confident enough about the company's strength to bow out of the day-to-day running of the company in order to concentrate on strategy and innovation. He is now chairman, with a new chief executive brought in from outside.

"When I was 35, I decided to be out of the operating side when I was 40. I did it at 39."

Andrew Fisher

■ TOURISM

Times are tough

Times are tough in Switzerland's important tourism business.

Bed-nights, a key index of the industry, have been on a downward trend for four years. And that followed a decade of near stagnation.

Last year, for example, the number of bed-nights sold fell three per cent to 33.2m, and there is no sign of an upturn. The Swiss National Tourist Organisation (SNTO), the national promotion body, expects another two per cent decline this year.

This is bad news for the country's third largest industry after machinery and chemicals, and for the roughly 350,000 people who make their living from it. Hotel closures have become a relatively frequent and distressing phenomenon and unemployment in the sector is rising rapidly.

The reasons for the decline are now fairly well rehearsed. Recently, the recession in western Europe, not least in Switzerland itself, has been a key factor. Last year, the fall in domestic visitors to Swiss hostelries at 3.9 per cent was greater than the decline in foreign visitors.

The devaluation of some European currencies against the Swiss franc was obviously another factor. The number of bed-nights taken up by Italians tumbled by nearly a quarter last year.

But industry leaders agree that more than short term cyclical factors are at work. Even the weather plays a significant role. Warmer and shorter winters have hurt those areas that offer winter sport holidays.

The association of ski lift operators reported recently that their season shrank from 120 days in 1970 to 110 days in 1991.

More important, Switzerland has clearly lost ground in the past decade to Austria which offers tourists the same sort of "products". A recent survey among Germans, for example, revealed that Austria was clearly preferred to Switzerland as a holiday destination.

There is much debate about why this is so, but a lot of it is put down to intangible factors – such as the tendency of Swiss hotels to hire more immigrants, thus undermining the Swiss ambience.

The SNTO itself has come in for a lot of criticism for becoming lethargic and bureaucratic in the face of an emerging crisis. Last year, the federal government, which underwrites most of the SNTO's costs, finally took radical action to shake it up.

Hayek accepted that exclusivity and quality should be the aim

It hired Nicolas Hayek, best known as the head of the Swatch-making watch group SMH, to examine the SNTO and produce recommendations to make it more effective.

In October, Hayek produced his report, recommending substantial cuts in SNTO overheads, with the savings together with larger contributions from members to be redirected to a more professional and more focused promotional effort.

He accepted that Switzerland had to stick with its aim to provide exclusivity and quality mainly to the professional and leisure classes. For one thing, it has the experience and facilities that appeal to these people. For another, the Swiss franc is likely to remain strong, preventing the country from competing with others on price alone.

But he said the country's image abroad had become rather dowdy. Like the Swiss watch industry a decade ago, it needed to be polished and made more joyful.

Mr Walter Leu, SNTO director general, says the SNTO staff has already been cut by a fifth and a new president is expected to be appointed shortly. Foreign outposts have been shuffled to reflect changing market potential. The San Francisco office has been folded into the one in Los Angeles. Buenos Aires and Sydney offices have been closed, and new ones have been opened in Berlin and Hong Kong.

Mr Leu says he is now working on getting the organisation's 500 members to provide more funds. At the moment, the organisation operates with annual revenue of SFr36.7m of which the Government provides SFr32.6m. He would like to see members' contributions rising to about SFr15m and ultimately even more.

"It is our ambition not to depend heavily on government," he says, pointing out that it is the members who ultimately benefit from the organisation's efforts.

Industry leaders across the country have welcomed what they consider to be the long overdue shakeup at the SNTO. But being Swiss, they will probably want to see some results before digging into their pockets to increase their support to it.

John Braun

Relations with the European Union

Still reluctant to join

In trying to nudge Switzerland closer to formal European integration the Swiss government is having as much success as Sisyphus in the Greek myth. Yet, like him, it is condemned to keep trying.

Situated in the heart of western Europe and intimately bound to it by history, culture and strong economic ties, Switzerland cannot divorce its destiny from that of its powerful neighbours. The only question is whether it can influence the outcome more effectively inside European political and economic structures or outside them.

While the economic arguments seem to point firmly in the direction of increased integration, the political hurdles are formidable for a fiercely independent nation built on three constitutional pillars of permanent neutrality, direct democracy and local autonomy.

Berne spent much of 1993 in a damage-limitation exercise.

In 1992, after much hesitation, the Swiss coalition government finally took the plunge and deposited Switzerland's membership application with Brussels. The following December, Swiss voters narrowly refused to join the European Economic Area (EEA), which since January has allowed goods, services, capital and labour to circulate freely between the EU and five fellow members of the European Free Trade Association (Efta).

Switzerland's EU membership application was put on ice, and Berne spent much of 1993 in a damage-limitation exercise. In Brussels it lobbied for bilateral negotiations in areas of vital interest to Switzerland such as transport and participation in EU research programmes.

At home it launched an economic revitalisation programme to make Swiss laws and practices more Eurocompatible and to boost competition in domestic markets. Attempts were made to heal the rift between French-speaking Swiss, who voted overwhelmingly for the EEA, and German speakers, who firmly rejected it.

When last November Swiss voters approved introduction of a Eurocompatible value-added tax, this was rashly seen by some as proof of a pro-European shift in public opinion. Then came February's unexpected referendum decision to ban transit freight from Swiss roads within 10 years. Though billed as a vote to save the Alps from annihilation by lorry traffic, the move has infuriated Switzerland's neighbours.

As a result of the vote, relationships with Brussels have gone from cool to frigid. Switzerland has once again been branded an untrustworthy negotiating partner.

The start of bilateral negotiations on transport, scheduled for April, may be delayed. European transport ministers, some of whom have muttered darkly of retaliation, are in no mood to give the Swiss an easy ride.

Swissair, the national carrier, which is seeking access to EU open skies, could become an early casualty. Brussels will also be demanding a relaxation of existing Swiss lorry curbs in return for better access to the EU road haulage market for Swiss operators.

More generally, the EU is determined to prevent Switzerland securing full EEA benefits too cheaply.

Agreement to Switzerland's bilateral negotiating agenda has been made contingent on parallel negotiations on an EU slate that includes the highly sensitive issue of Swiss immigration restrictions and import curbs on EU agricultural produce.

Supporters of EU entry, with an eye to concessions won by Austria and the three Nordic applicants for EU membership, argue that Switzerland would secure a better balance of benefits inside the Union, including a say, albeit limited, in formulating EU rules and policies.

Pro-Europeans, who include most of Switzerland's political, business and financial establishment, also point to economic studies suggesting that joining the EU could add half a percentage point to annual economic growth. Staying out will inhibit exports, intensify the long-term trend to shifting production abroad – sometimes just across the border in France or Germany – and insulate protected inefficient domestic markets, they argue.

Swiss Eurosceptics dismiss the pessimism, claiming that Switzerland has already reaped big benefits by staying out of the EEA. They believe the No vote, by underscoring Switzerland's economic and financial independence, was a contributory factor behind the huge influx of foreign funds last year.

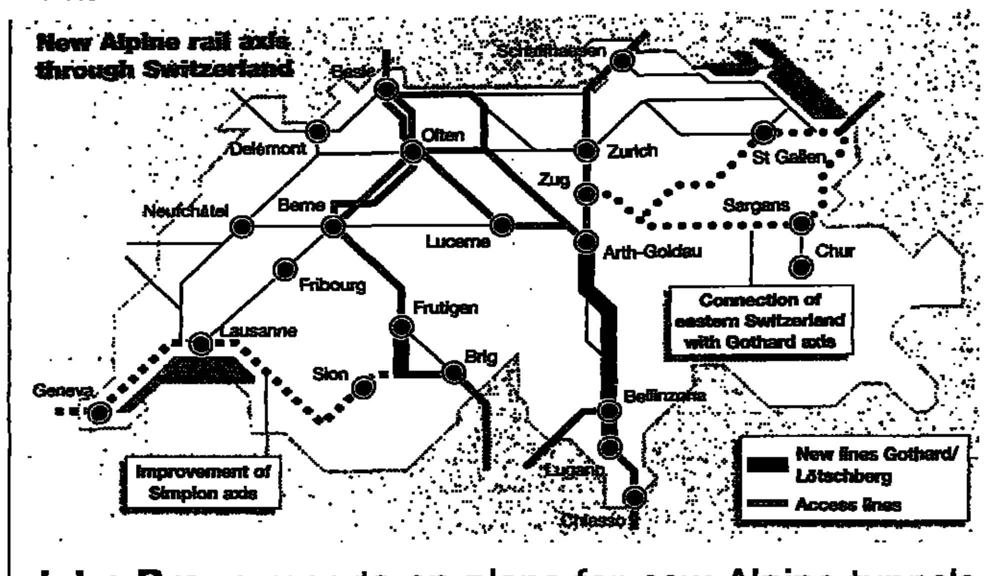
As a result, the Swiss stock market was one of Europe's best performers in 1993 and the strong Swiss franc allowed interest rates to fall steadily, helping the Swiss economy to pull slowly out of recession. Inflation is low and the balance of payments is in record surplus.

Despite these arguments, the government's white paper on foreign policy in the 1990s, published last December, insists that full EU membership must remain a long-term goal. Mr Flavio Cotti, Switzerland's foreign minister, has said he hopes the country could be a member by the year 2000.

Berne says there will be no attempt to negotiate membership of either the EEA or the EU until after the next federal elections in October 1995. By then Austria, Finland, Norway and Sweden may be inside a 16-member EU, leaving just Iceland and Liechtenstein as the only outsiders in the EEA.

In that event, Switzerland can be expected to head straight for Brussels. Whether it arrives is another matter.

Frances Williams



John Braun reports on plans for new Alpine tunnels

Ban it and bore on

The inscrutable Swiss startled their neighbours again last month by voting for a total ban on transit lorry traffic through the Alps to take effect in 2004.

Initial reactions abroad varied from disbelief to anger that the Swiss were apparently putting up more fences to keep out the neighbours.

Since then, Swiss leaders have been at pains to emphasise that isolation is not their goal. They want very much to be good neighbours, but they also want their neighbours to be considerate of Swiss concerns.

One of the main concerns these days is trying to curb the pollution caused in the narrow Alpine valleys by transiting German, Italian and other European lorries.

Switzerland's proposed solution to this problem is not just to ban these lorries. Rather it is proposing a bold expansion of the national rail system and a rejigging of transit charges to encourage all shippers to choose the rails rather than the road for moving their goods through the Alps.

At the heart of this plan is the AlpTransit Project or NEAT (Neue Alpen-Transversale) approved by Swiss voters in a referendum in September, 1992.

It calls for the construction of two new high speed north-south rail lines through the country connecting Basle and Milan. Officially, the cost of the project is set at SFr14bn, but few deny that it will be much greater, perhaps double that amount, which would make it about three times as expensive as the Channel Tunnel project.

The main elements of AlpTransit would be two new so-called base rail tunnels through the Alps, with base reflecting the idea of keeping the tunnels at low altitude so that trains can pass through them at speeds up to 200km per hour.

One line would be drilled under the Gotthard pass, the most highly travelled transit route today. The other would go through the Lötschberg south of Bern and continue on the existing rail tunnel under the Simplon pass.

Planners say it should be possible to knock two hours off the journey time between Basle and Milan, making the railway a much more competitive form of transit even without the lorry ban.

AlpTransit will be a huge civil engineering operation. The project will, among other things, involve drilling one of the world's longest twin-tunnel, single-track developments – the 57km Gotthard base tunnel – comparable in length with Eurotunnel.

Tunnelling will take place at depths of more than 2km under the higher mountains, incurring such difficult technical problems as extremely high rock pressures and stresses – with attendant high working temperatures.

Test borings began last year, but serious exploration work is only due to start this year following selection of contractors from an international tender process that began last autumn.

In addition to the Gotthard and Lötschberg tunnels, the project includes substantial upgrading to the Simplon tunnel rail line and improvements to the Rhone valley rail line to connect with the French high speed rail network at Geneva.

Connections from eastern Switzerland will also be upgraded

Connections from eastern Switzerland will also be upgraded. A new line is planned for the Lake of Zurich area (Waedenswil/Au and Thalwil). This will run in a tunnel under the Hirzel and Zimmerberg to Zug.

The management of the projects is in the hands of the two leading Swiss railway companies, Swiss Federal Railways (SBB) on the Gotthard line, and the Berne-Lötschberg-Simplon Railway (BLS) on the Lötschberg-Simplon line. Early this month they formally requested federal government approval of their route proposals, together with some variants that would add cost but reduce disturbance in sensitive areas.

In the time honoured Swiss way, a long process of consultation will now commence, so that the final decisions on routes are only likely to be taken around the end of 1995. Then tenders will be issued for the main design and construction contracts. The actual work is expected to begin in 1996 with completion scheduled for 2007.

Although the Swiss have undertaken to open bidding to foreign companies, there is little doubt that Swiss companies will dominate both the project management and the work itself.

In part, this is protectionism but it also reflects the immense Swiss experience in drilling tunnels through the hard rock of the Alps, dating back to the 1870s when the first rail tunnel was pierced through the Gotthard.

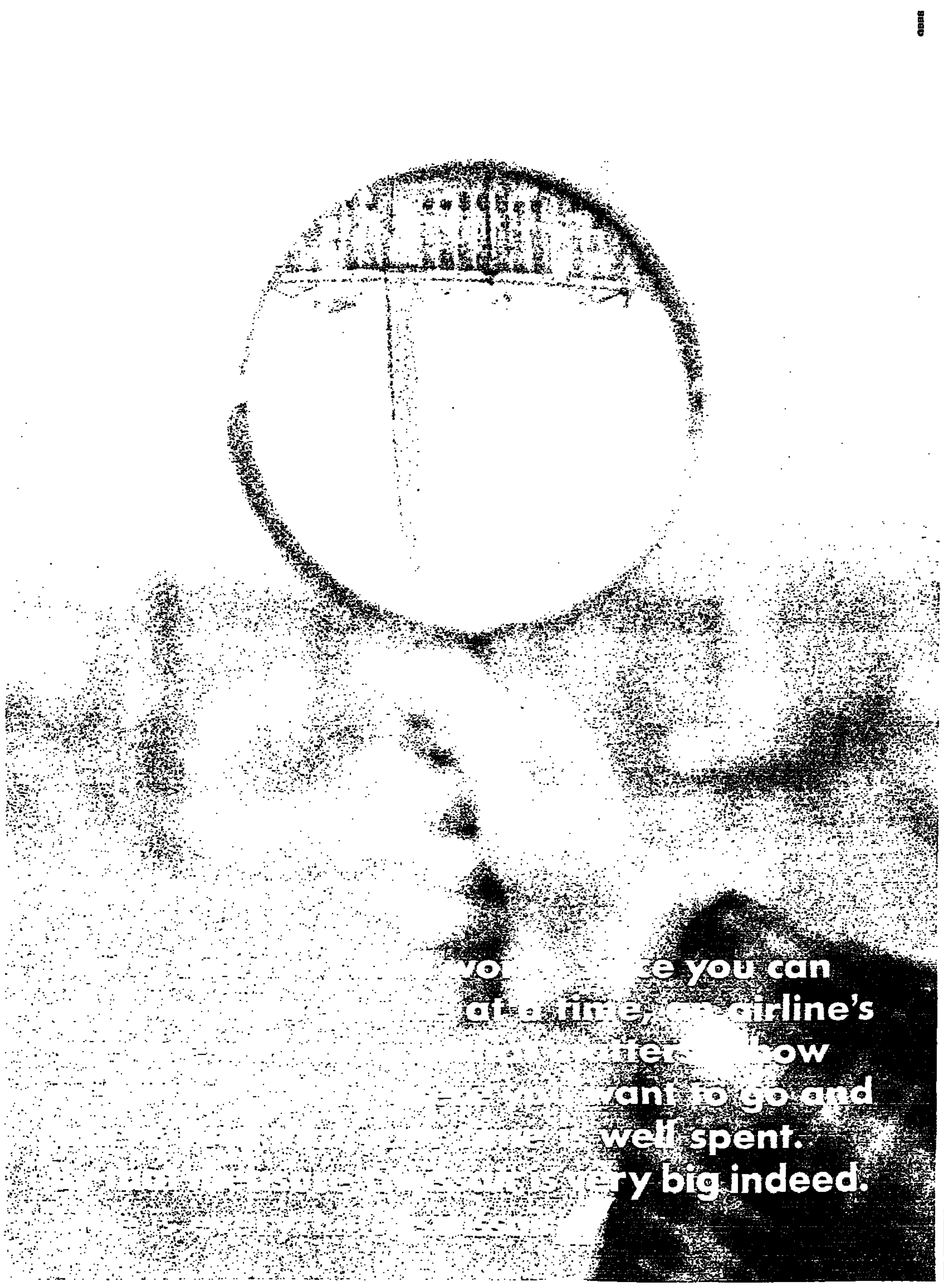
However, the sheer scale of the project means that the Swiss engineering and construction industry alone will have nothing like enough equipment or manpower to carry out the work. They will need to take on a lot of foreign sub-contractors.

It is generally agreed that Italian and French companies are best placed to win contracts as they have long experience of working in Switzerland and with Swiss companies. British and other foreign companies that have less experience of working in the country are being advised that the most promising way of approaching the project is to join consortia led by Swiss companies.

Unfortunately, even if the AlpTransit project is completed on time, it will not come on stream until after the lorry ban is in force. Swiss officials say there is plenty of capacity at the moment, and minor improvements being made in the existing Lötschberg and Gotthard tunnels should ensure that no bottlenecks develop.

But that may underestimate how quickly and extensively Switzerland and Europe as a whole embrace the concept of environmentally friendly rail transport in the next decade.

On the same day that the Swiss voted for a transit lorry ban, they also voted to impose taxes on all lorries based on the distance they travel. If the government exploits the opportunity provided by this measure, the railway could soon become the more economical means of transport as well as the more environmentally friendly one.



FINANCIAL TIMES
COMPANIES & MARKETS
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Monday April 11 1994

Ford considers global project with Mazda

By John Griffiths

Ford Motor, which has just launched the North American version of its Mondeo "world car", is considering with Mazda of Japan a more far-reaching "global" car project.

If the concept is carried through, Ford's European engineering departments would lead the development of a replacement for the Ford Escort range which would be built and sold by both Ford and Mazda from early in the next century.

Ford and Mazda would use common sourcing of components, from wherever they could be supplied most cost-effectively. The cars would have cosmetic differences – as with the Mondeo and its just-launched North American counterpart the Contour – but would share the main under-the-skin components such as body platform, engine and gearbox.

Ford has collaborated with Mazda before on car projects, but this is the first time that any two manufacturers have contemplated such a development on a global scale. Its significance goes beyond economies of scale.

Ford envisages that both Mazda's and Ford's north American styling and engineering resources could be focused more efficiently on complementary projects.

Mazda would develop niche products, such as sports cars and multi-purpose vehicles for both itself and Ford, while Ford's North American engineers would use their expertise in larger cars to develop similar "world" cars for Ford and Mazda.

Ford's chairman, Mr Alex Trotman, said that the project was still very much at the "hypothesis" stage. Nevertheless, "It would give the companies a broader product range – essentially more firepower for the same number of battles".

Ford's North American and European Escort ranges share the same name but have few parts in common and are essentially separate models. Both are due for updates in the next three years but these facelifts are also being carried out separately in Europe and North America.

Ford's global drive, Page 18

Poor uptake for Biotech placing

By David Wighton in London

Rothschild Asset Management has raised less than half the original target for its International Biotechnology Trust with the placing of shares with institutions attracting only £35m to £40m.

The poor uptake came close to scuppering the launch but Rothschild is pressing ahead with the issue. The public offer opens this week.

Rothschild and sponsor Robert Fleming originally set a target of up to £100m with a quarter of the issue available to private investors. The response is the latest sign of "investor fatigue" in the face of the continuing flood of new issues and follows a number of disappointing investment trust launches.

Morgan Grenfell managed to raise only £64m for its Latin American Companies Trust, compared with a target of £100m, and the total for Edinburgh Fund Managers' similar Inca trust was also below expectations.

Many biotechnology stocks have fallen sharply in recent weeks, leaving several recently floated companies trading well below their offer prices, and at least one biotechnology flotation has been postponed indefinitely. But the disappointing response to the Rothschild launch appears to be the result more of general market conditions than sentiment towards the biotechnology sector.

The trust plans to take stakes of £5m-£10m in biotechnology companies by injecting new capital and aims to make 15-20 separate investments.

Robert Corzine finds that low oil prices are provoking an ideological debate

Ambiguous signals in volatile market

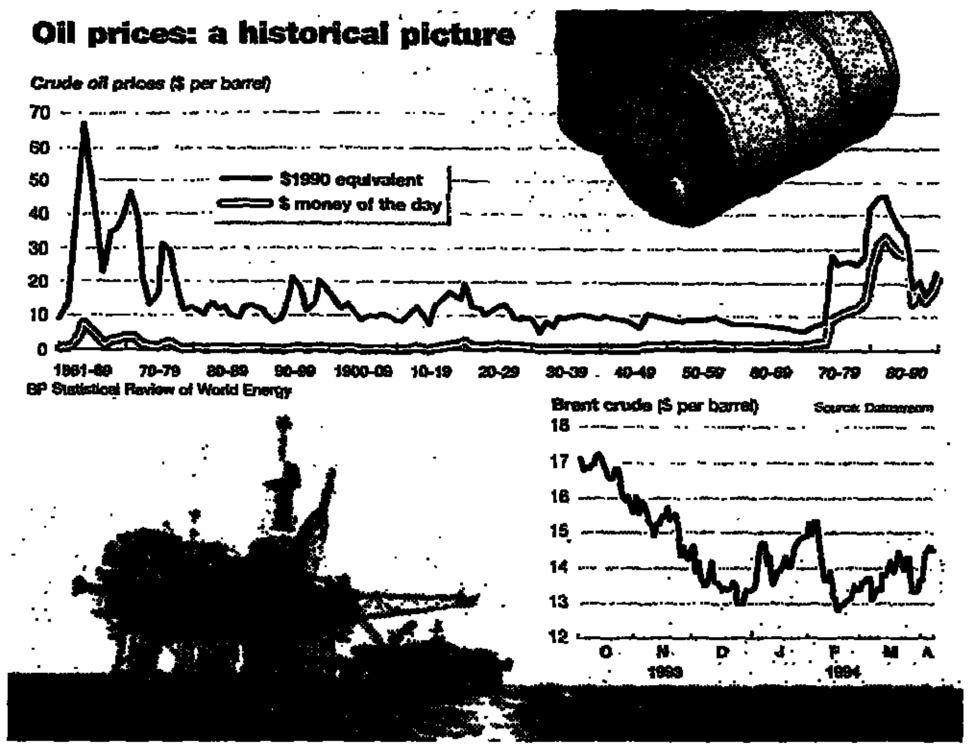
Arguments over the direction of oil prices have taken on the tone of an almost philosophical debate on whether a symbolic barrel of oil is half full or half empty.

Optimists, having taken heart at last week's price rally sparked off by the entry of hedge and commodity funds into oil futures' markets, say current price levels are too low. They point to the fact that, in real terms, oil prices at the $13-$14 level for the benchmark Brent Blend are about the same as before the first oil shock in 1973.

And current prices, they add, do not reflect oil's special status as a scarce and strategic commodity. Low prices simply reflect a temporary glut caused by a surge in production from countries such as the UK and Norway which are outside the Organisation of Petroleum Exporting Countries.

That view is one which both Opec oil ministers and the chairmen of western oil companies like to hear. But it is one which the more thoughtful among them may no longer believe.

As a recent report from brokers Société Générale Strauss Turnbull put it: "Throughout the history of the world oil industry, one of the few constants ... is the tendency for producers in aggregate to supply more than the market can bear ... The underlying and inherent tendency is for oil prices to decline over time."



The present volatility in oil markets is as much a reflection of the ideological divide within the industry, as the consequence of short-term shifts in the supply/demand balance. And that volatility is likely to increase in coming months as the implications of Opec's present policy and the presence in the markets of the hedge funds become clearer.

The prospect of additional abrupt price swings is now a very real one because of the market's uncertainty over the future strategy of the funds. Mr Robert Mabro, of the Oxford Centre for Energy Research, says: "They are a new factor in the oil price picture," and one which will make "predicting price movements even more difficult."

The presence of the funds also means that oil prices in New York and London will be influenced by events in other markets. Mr Mabro notes that the withdrawal of the funds from oil markets late last year in search of opportunities in rising stock and bond markets accelerated the fall in oil prices.

"The question now," according to Cambridge Energy Research Associates in Paris, "is whether fund managers will hold their positions until market fundamentals improve ... or whether they will sell off if near-term prices weaken, thereby adding to market volatility."

The volatility had already been enhanced by Opec's decision to maintain its 24.52m barrels a day production ceiling for the rest of the year.

The second quarter of the year is usually the time when Opec makes the deepest cuts in output because of weak demand due to the end of the northern hemisphere winter. Opec delegates at the meeting in Geneva last month conceded that the strategy of rolling over the production ceiling could weaken prices in the short-term, although they claimed that rising demand would lead to a balanced market later in the year.

Mr Mabro points out, however, that "balanced markets don't rise. If you want a price rise, your strategy should be to unbalance the market." He also believes Opec's policy will lead to considerable price volatility well beyond the second quarter. "If you fix the volume for a long time you get increased volatility with any changes in demand," he says.

Another factor which could affect prices in the longer term is the apparent willingness of oil markets to question the degree to which Opec producers deserve the considerable "rent" they earn even at today's prices. With production costs of only a dollar or two per barrel in many of the Gulf states, the profit margins from most Opec producers are substantial. The entry of the funds into the oil futures' markets has been interpreted by some as a sign that irrespective of long-term movements, short-term price trends may now be upwards. But many traders warn against reading too much into the timing of the funds' move.

"They [the funds] were just scrambling around for a market where the prices were low," and where they saw an opportunity to manipulate the market, said one oil company trader in London. "They just caught everyone unawares."

Kashima resignation, Page 18
Neste reports loss, Page 18

Accounting body tackles property lease gains

By Bernard Gray in London

The UK's Accounting Standards Board is expected to recommend changes to the reporting of company profits from property leases, in the wake of heavy losses incurred by Pentos, the speciality retailer.

Pentos, which includes Dillons bookstores and the Athena poster shops chain, expanded rapidly during the recession. The Dillons chain received substantial payments from landlords for taking on long-term leases. These payments, known as reverse premiums, were then included in general profits. Pentos would have reported a loss in 1992 if it had not had the benefit of £6.3m in reverse premiums.

The company recently announced that it had lost £71m ($104m) in 1993, passed its dividend and launched a £45m rights issue.

Now the ASB is considering how the practice of reporting profits on reverse premiums can be altered. Any move would also affect many other retailers which have expanded in recent years. The ASB said that an "urgent issues" ruling may be published in the next two months.

Detailed proposals are still being discussed, but changes may include forcing companies to spread the benefit of any initial payment from landlords over the first five years of the lease. The ASB is also debating whether to require companies to state explicitly the amount they have received in reverse premiums. Treatment of other incentives, such as landlords' contributions to shop fittings may also be affected.

The review was welcomed by investment analysts. Mr John Richards, retail analyst at NatWest Securities, commented: "There is nothing wrong per se with retailers taking advantage of landlords' offers, they would be silly not to do so. What can be wrong and dangerous is if such financial inducements lead to over-expansion and the distortion of financial performance."

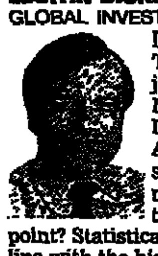
NatWest Securities sparked controversy when it first drew attention to a potential problem with reverse premiums at Pentos. Now, in new research published today, the broker argues that many other retailing companies may have benefited from the reverse premium incentives.

Retailers have also enjoyed rent-free periods on new stores. These, too, may have boosted income in an unsustainable way with a sharp drop in profits occurring once the full rent becomes payable.

Markets this week

Starting on page 20

MARTIN DICKSON:
GLOBAL INVESTOR



Did last Tuesday's big jump in the Dow Jones Industrial Average signal a market turning point? Statistically, it was in line with the historical average for a market correction. But this comforting picture could be a little too neat. Page 20

GERARD BAKER:
ECONOMIC EYE
A new spring ritual has been added to Japanese cultural life: spotting the economic recovery. The last two spring revivals have disappeared with the cherry blossoms. Will this upturn prove more durable? Page 20

Bonds:
The Bundesbank council meets on Thursday and German government bond traders are hoping for a high-profile cut in official interest rates. Page 22

Equities:
Wall Street analysts are generally confident that the worst of the volatility is over. But recent tensions may still lurk below the surface, and the corporate results season could bring fresh complications. Page 23

Emerging markets:
India is preparing for its biggest international issue. Videsh Sanchar Nigam, the state-controlled telecoms utility, wants to raise $1bn in Euroequity. Page 21

Currencies:
Attention will revert to the yen as investors seek to assess the impact of the resignation of Mr Morihiro Hosokawa, the Japanese prime minister. Page 21

This week: Company news

GOLD FIELDS

Mishaps unlikely to tarnish improved trend

The ritual of South African gold mines' quarterly results kicks off tomorrow with the publication of the latest figures for Gold Fields of South Africa.

After displaying improved results for the first six months, following a four-year slide in earnings, the company's third-quarter numbers – along with those of most of the other big mining houses over the next two weeks – are generally expected to follow this favourable trend.

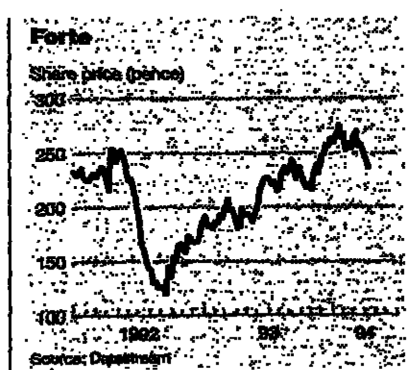
Nevertheless, analysts note that Gold Fields has been hampered by recent mishaps at key mines, including a shaft accident at Kloof and fires at Driefontein, the country's most profitable gold mine, although they do not feel this will significantly affect the overall picture.

Offsetting this, the company will have benefited from its aversion to forward hedging, which has allowed it to take advantage of the improved spot price for gold, the effects of which have been magnified by a steady drop in the value of the rand against the dollar, in the light of political uncertainty.

Overall, the results are likely to be in line with the previous quarter's after-tax profits of R387.7m ($110m). However, Mr Bruce Williamson, of brokers JD Anderson, warns that after three years of strict cost containment, some mines may have taken advantage of the improved environment to implement delayed capital expenditure, thus distorting the short-term picture.

A recent R8m judgment against Gold Fields for unfair dismissals may also affect the results, if the company chooses to write off the sum in the current quarter.

In the longer term, given Gold Fields' traditionally confrontational labour relations, some analysts are wary of its prospects under the probable government of the African National Congress.



FORTE

Ready for a push on the continent

Forte's figures for the year to January, to be announced on Thursday, cover an eventful period for the UK's leading hotels group. Its disposal programme has left it poised to pursue expansion into continental Europe.

Disposal gains will distort the headline figures, but underlying pre-tax profits are expected to rise from £71m to £85m-£90m – after a reduced interest bill that still stands at roughly £100m.

Profits from continental Europe are expected to be unchanged, with good improvements from the UK hotels.

Analysts will be eager to hear about trends in rates and occupancy levels, but some are concerned about the effects on US visitors of the IRA mortar attacks on Heathrow.

Further asset write-downs are expected – following the previous year's £344m hit – but the balance sheet is now much healthier thanks to disposals, including the £177m injection from the flotation of the Alpha Airports catering and duty free retailing business in February.

This has given it the wherewithal to enter the bidding for Air France's Meridien chain after its offer for the Aga Khan's Ciga hotels was trumped by Sheraton.

Following the dividend cut last year analysts expect maintained payments of 7.5p which are still unlikely to be covered by underlying earnings per share.

OTHER COMPANIES

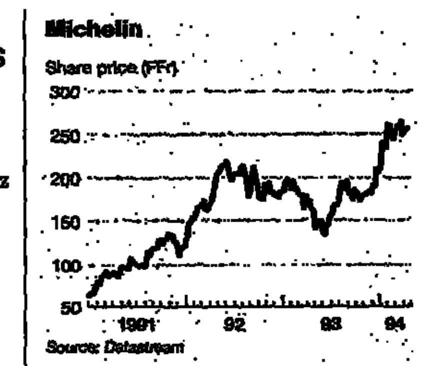
Daimler shareholders hope for comfort

Having been obliged to swallow a 38 per cent cut in the 1993 dividend, announced last Thursday, Daimler-Benz shareholders will be looking forward to more palatable news from the pride of German industry at its results press conference tomorrow.

After a DM2bn ($1.16bn) loss at nine-months, according to US accounting principles, the 12-month numbers should show some beneficial effects of newly introduced cars, ditto the first quarter of this year. Since no one expects anything from AEG or Deutsche Aerospace until next year, much is riding on the salesmanship of Mercedes boss, Mr Helmut Werner.

■ Audi: Under orders from the Volkswagen group's demanding chief, Mr Ferdinand Piëch, the Audi board is expected to present an upbeat view of prospects at its press conference on Thursday. High hopes are attached to the marque's lightweight aluminium model for heavyweight executives, and to its performance estate (made by Porsche). The bad news is that while other German car marques are forging ahead in the US market, Audi is still stuck in reverse.

■ Michelin: The world's largest tyre manufacturer announces its 1993 results on Wednesday and is expected to report substantial losses. The French group suffered a net loss of FFr3.19bn ($540m) in the first six months, resulting from the downturn in the European automobile industry and exceptional restructuring charges. At the time of a capital issue earlier this year, however, the group said it was seeing signs of recovery in the international tyre market.



■ Accor: The French hotels and tourism group will also announce last year's results on Wednesday. The group, which has been hit by recession and fierce competition in the international hotels business, has warned that it expects to show a decline in profits. Estimates of net income range from FFr550m to FFr650m ($110m), depending on exceptional items, compared with FFr802m in 1992.

■ UK companies: Burmah Castrol, the lubricants, chemicals and fuels group, is expected to report 1993 pre-tax profits of about £186m today, up from £179.6m, despite tough conditions in Germany which accounts for about 20 per cent of sales. Tomorrow, Tesco, the UK's second largest supermarket group, is expected to announce a fall in annual pre-tax profits from £581m to £520m-£530m, after new depreciation policies but before one-off charges. The Savoy Hotel group, which also includes the Connaught and Claridge's, is expected to report little better than break-even figures on Wednesday.

Companies in this issue

Shareholder pressure grows for top board changes as big write-offs revealed

Aegis directors expected to quit

By Andrew Jack

Up to three directors of Aegis, the London-based holding company of Europe's largest media buying and planning group, are expected to depart in the next few months following growing shareholder pressure.

The details emerged as the company was preparing to reveal exceptional write-offs of up to £40m in its 1993 results, due on Thursday.

Underlying performance is expected to be in line with City forecasts, but the company is likely to report a substantial one-off charge for the restructuring arranged with Warburg Pincus, the US investment firm which owns 32 per cent of the company.

Aegis has come under criticism from analysts and investors for the strongly French management of a company that has increasingly diversified its operations and profits away from that country and is now listed only in London.

Mr Michel Lefebvre, chief financial officer, is believed to be among those departing, and headhunters are seeking out replacements for him and a further two directors.

In addition, Mr Charles Hochman, the chief executive officer, may retire by the end of next year.

Several dozen further redundancies of senior staff from the French operations are expected to be announced shortly, in addition to about 300 job losses that have occurred in the past few months.

Last week the company announced its intention to move from its lavish headquarters in Avenue Raphael in central Paris to La Defense within the next two months.

The move will cost Aegis several million pounds in outstanding lease payments and write-offs of expensive fixtures and fittings. Last year the company also sold its two corporate jets.

Further exceptional write-offs of more than £10m are likely to be shown in the accounts as a result of a restatement of the cost of the company's £102m in bonds and loan stock which were part of the refinancing last October.

Recasting the figures in the accounts using FRS 4, the new financial reporting standard on capital instruments, would trigger debt interest payments on Eurobonds of nearly £7m and refinancing costs of more than £3m.

Next stage in GKN rights

By Tim Burt

GKN, the engineering and industrial services group, is today expected to invite shareholders to take part in the second tranche of its £248m rights issue to fund the takeover of Westland Group.

The move signals GKN's confidence that its revised 335p cash offer will be accepted this week by M&G and Schroders, which together control more than 25 per cent of the helicopter manufacturer.

Their acceptance would push the engineering group's holding beyond the 75 per cent barrier required to trigger the second half of the rights issue.

Last month GKN received acceptances for 90.9 per cent of the first part of the issue – involving more than 52m units of non interest-bearing convertible loan stock – payable in two equal instalments of 240p.

Sir David Lees, the GKN chairman, announced the fund-raising two months ago when he launched the hostile bid for Westland. The Yeovil-based company rejected the initial bid, priced at 290p per ordinary share, saying it undervalued order prospects and potential profits.

Two weeks ago, however, it reluctantly recommended a revised offer which valued the group at £577m.

Intermediate Capital has flotation value of £100m

By Richard Gourlay

Intermediate Capital Group, the niche provider of mezzanine finance to unquoted companies, is to float late next month in a placing and intermediaries offer that will value it at more than £100m.

The flotation will raise about £30m, some £18m of which will repay existing preference holders.

ICG was formed in 1989 and is Europe's largest specialist provider of mezzanine funds, a layer of finance that lies between equity and debt in terms of risk and reward.

The core business is lending to UK management buy-outs, where demand has been steady, and to buy-outs in continental Europe where there has been "strong" growth in demand this year, according to Mr Tom Bartlam, one of four founders and managing director.

The group is also aiming to lend more to companies seeking development capital, but which do not need to pay the high cost implicit in issuing equity.

ICG prices its loans at about 4 per cent over Libor but enhances its return to between 16 and 20 per cent by receiving warrants or a redemption premium.

In January ICG also started managing funds for third parties when Postel provided the group with £20m to invest alongside its own funds in the mezzanine market. Postel bought a 20 per cent stake, most of it from Westpac Banking, the Australian group.

ICG is likely to be regarded by institutions as a yield stock, unlike Mithras, the mezzanine investment trust floated last month by Legal & General Ventures. "We are run for profit and not assets growth," Mr Bartlam says. "We are more a quasi-bank than a quasi-investment trust." Its main competition comes from banks such as NatWest, Samuel Montagu and Kleinwort Benson.

In the year to January 31, ICG had operating income of £20.6m, of which £11.1m represented gains on the disposal of shares in companies that had floated. The previous year's income was £12.5m, of which £5.5m was disposal gains.

ICG recognises that pre-tax profits will be volatile because it has no control over when its investments float. Mr Bartlam said ICG would be looking to pay a growing dividend from core income, while capital gains would strengthen the balance sheet for more lending.

The four founding shareholders will retain about 80 per cent of their stakes and hold between 10 and 15 per cent of the company after the float.

Queue forms to bid for Chunnel rail link

By Andrew Jack

The government is aware of about six consortia planning to bid for the Channel Tunnel rail link, officials said yesterday.

Bovis, the construction subsidiary of P&O, Ove Arup, the consulting engineer, and Eurorail, which includes Trafalgar House and BICC, are all among those groups expected to submit tenders.

The Department of Transport would not comment on names, but said yesterday that it had received initial expressions of interest from about 30 groups, of which half a dozen were expected to submit plans.

Pre-qualification proposals must be submitted by April 25, and a decision on the groups which will be allowed to submit full tenders will be made in June. These must be completed by the end of the year.

The £2.7bn 68-mile link between London's St Pancras station and the Channel Tunnel is expected to be the largest joint public-private sector construction project this decade.

Hays buys Rockall Scotia Resources

By David Wighton

Hays, the business services group, is paying £20m for Rockall Scotia Resources, a records storage and data management company primarily serving the oil exploration industry.

The deal will make Hays the market leader in oil records storage ahead of British Data Management.

In 1993 it had turnover of £15.4m, nearly half of which was generated overseas, and made a pre-tax profit of £2.1m.

In addition to its oil industry business, Rockall has been expanding into local government and healthcare markets, and has a large contract with the Inland Revenue.

Mr Ronnie Frost, Hays chairman, said the combined business would be well placed to take advantage of the government's policy of contracting out services such as data storage. "Rockall's successful overseas subsidiaries will also provide Hays with a springboard from which to expand its records management services overseas."

Companies slightly more optimistic

By David Wighton

Britain's small and medium-sized businesses are only slightly more optimistic about their prospects than they were six months ago, but there has been a big improvement in confidence in Spain, according to a survey by 3i and Cranfield School of Management.

Expectations have also improved in France, where sentiment mirrors that seen in the UK a year ago. According to the survey, this suggests that French companies can expect their economy to strengthen in the second half of 1994.

There has been some improvement in German confidence over the past six months, but most companies remain pessimistic about prospects.

In the UK there has been a 50 per cent rise in companies seeking external finance.

NEWS DIGEST

Hotel occupancy downturn

According to a survey by consultants, Pannell Kerr Forster, hotel occupancy was down slightly across Europe last year. There was a recovery in the UK but this was more than offset by declines in Germany and eastern Europe.

Clydeport at £2.4m

Clydeport Holdings, operator of port facilities on the Clyde, returned after-tax profits of £2.4m for the year to end-December.

Despite recessionary conditions and the loss of the Ravenscraig and Hunterston traffic, turnover held up well at £11.8m.

Mr John Mather, chairman and chief executive, said the "excellent start" achieved by the company in its first year of operation had continued throughout 1993.

Kingspan ahead

Kingspan Group, the County Cavan-based building components manufacturer, showed a marked upturn in 1993 helped by increased sales in both its metal faced composite panels and flexible faced insulation boards.

Profits before tax in the 12 months to end-December jumped to I£3.1m (£2.98m), compared with I£1.38m in 1992 and I£2.56m in 1992.

The activities mentioned above contributed 71 per cent of total sales of I£61.2m (I£53.1m) and strengthened their position in the market.

An increased final dividend of 1.5p is recommended, making a total of 2.5p (2.2p) for the year.

Earnings per share advanced to 9.7p (3.8p).

Medeva agreement

Medeva, the pharmaceuticals company, has signed an exclusive agreement to market Wellcome's new hay fever treatment, Semprex-D, in the US.

Adams Laboratories, Medeva's US subsidiary which has a 220-strong sales force specialising in respiratory products, will start marketing Semprex-D this month on behalf of Wellcome's US arm, Burroughs Wellcome.

Wimpey sale

George Wimpey, the construction group, has agreed the sale of Wimpol, its satellite survey and positioning company, to Fugro McClelland, the Dutch engineering consultant.

The sale for £5.4m includes the repayment of inter-company debt, thought to be £6m.

Wimpol, based in Swindon, Wiltshire, works mainly for the offshore oil and gas industry, mainly in the North Sea, east Asia and the Gulf of Mexico.

Wagon's £6.7m expansion move

Wagon Industrial Holdings, the acquisitive materials handling, engineering and automotive products group, is buying two vehicle components companies for a total of £6.7m.

Avenell Engineering, of Oxford, and Ernest Derricott, of Birmingham, are being acquired for £4.5m cash and £500,000 in unsecured loan notes, with the balance in ordinary shares.

This strengthens Wagon's position as a supplier to the automotive industry.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
SCA (Sweden)	Otor (France)	Packaging	£230m	Deal scrapped
Astra (Sweden)	Fujisawa-Astra (Japan/Sweden)	Pharmaceuticals	£154m	Bolstering Japanese position
Wolseley (UK)	OAG Group (Austria)	Plumbing supplies	£56.9m	Continuing European growth
Smiths Industries (UK)	Tutco (US)	Heating	£21.6m	Expanding industrial arm
Siebe (UK)	NAF Group (Sweden)	Engineering	£21m	Bolt-on buy
Guardian (UK)	National Corp (US)	Insurance	£19m	Non-standard move
Rieter Holding (Switzerland)	Firth Furnishings (UK)	Carpets	£9.8m	Readicut cuts borrowing
Bernard Matthews (UK)	Advanced Foods	Food	n/a	Third buy in a year
J Sainsbury(UK)/ Esselunga(Italy)/Docks de France/Delhaize Belgium	SEDD	Retailing	n/a	"Multi-functional" alliance
Powell Duffryn (UK)	Kiggen Beheer (Netherlands)	Waste management	n/a	Strategic purchase

Race for control of Banesto enters final lap

By Tom Burns in Madrid

The race to take control of Banesto, the troubled Spanish bank which the authorities will auction to the highest bidder at the beginning of next month, has entered its final lap.

At the weekend Banco Central Hispano (BCH), which owns the biggest domestic bank network, indicated it was not interested in Banesto. Argentaria, the state-controlled financial group, said that it was, and Banco Zaragozano, a medium-sized bank, spoke up for the smaller institutions saying it and others like it might link with a larger group in a joint bid.

Mr Jose Maria Amusategui, BCH chairman, said a bid for Banesto was "unlikely". He told the bank's annual meeting: "We should not divert our attention from the merger process [BCH is the result of the 1991 union between Banco Central and Banco Hispano Americano] and, much less, take on risks."

Mr Francisco Luzón, Argentaria's chairman, told shareholders the bank had decided to study a bid for Banesto "with the utmost detail". He told the annual meeting he was open to a single or joint presentation with other institutions.

Banco Zaragozano shareholders, also at the annual meeting at the weekend, were told that talks were being held with other medium-sized banks to form a consortium with a larger bank to bid at the Banesto auction.

Banco Santander, the most profitable, and most internationally-based, of the big domestic banks, officially kept quiet at the weekend as did a rival contender in the auction, Banco Bilbao Vizcaya. BBV, the second-ranked bank in terms of size, lent its senior executives to manage Banesto following its intervention by the Bank of Spain at the end of last year.

The bidding banks have little time left in which to make up their minds. Under the terms of the auction they must declare their intentions, and also any consortia arrangements, on April 18. They must deliver their final bids a week later. The Bank of Spain is due to announce a decision on the auction on May 9.

Crackdown on spread of futures in China

By Tony Walker in Beijing

China has cracked down on the proliferation of futures markets and traders, placing a ban on the establishment of new markets and requiring brokers to re-register with the China Securities Regulatory Commission (CSRC).

The State Council (cabinet) order tightening controls over fledgling futures markets reflects growing official alarm at the spread of poorly regulated exchanges and risks of substantial losses for inexperienced traders.

Mr Zhu Li, a spokesman for the CSRC, the industry watchdog, warned that "rushed experiments could incur economic losses and even result in social unrest".

Some 30 futures markets and wholesale trading centres have sprung up in China in the past year or so, including commodities' futures exchanges for metals, cereals and petroleum located in Shanghai.

Representatives of the larger exchanges have been calling for national regulation to govern futures markets, but these have been slow to appear.

Mr Zhu said some 500 futures trading corporations have emerged in China in the past two years of which about 200 are unregistered.

The CSRC has been asked to "closely review" all futures markets and report to the State Council on its findings. Those given approval will be obliged to re-register with the State Administration for Industry and Commerce.

All futures brokers, including Sino-foreign joint ventures, of which there are about 50, will also be obliged to re-register with the CSRC.

The State Council directive also made clear that stricter controls would be placed on state-owned enterprises engaging in futures trading. Law enforcement agencies would be banned from speculating in the futures markets.

The authorities have banned the use of bank credits in futures trading. Trading in currency futures without permission has also been banned.

Ford Motor chief senses a sea change

John Griffiths examines the group's attempt to become a truly global force

In less than a fortnight Ford Motor's chairman, Mr Alex Trotman, and his most senior colleagues will be assembling in Toronto to take stock of Ford's accelerating drive to become a truly global company – and the restructuring needed to achieve it.

Even at the opening of the New York motor show at the end of last week, Mr Trotman was playing down mounting media speculation that major management and other organisational upheavals were imminent as an integral part of that drive.

But even though the Toronto meeting is unlikely to result in dramatic headlines – as in the case of the boardroom coup at General Motors, which saw the ousting of former chairman Robert Stempel – Mr Trotman makes clear Ford is undergoing a sea-change which will dramatically alter the nature of its operations by the end of the decade.

"If you're expecting something fantastic to happen at Toronto you'll be wasting a lot of air fares coming," Mr Trotman hinted to the pressmen in New York. "It's a closed-door management meeting where traditionally we discuss our problems, such as who's not performing properly. What we call a woodshed meeting."

Nevertheless, he admits that part of the speculation has been caused by "leaks" from study teams, which, he acknowledges "we've been working on for quite some while now on how to improve effectiveness – and yes, some of this we may discuss at the Toronto meeting".

Mr Trotman was in New York formally to launch the Contour, the North American version of what Ford intends to be its first "world" car, after the failure of an earlier programme to create a Ford Escort "world car" at the beginning of the 1980s.

The Contour's European counterpart, the Mondeo, has been on sale for a year. Ford has spent $6bn on the project. Much of this is on production and research and development which will stand it in good stead for future world projects.

A second "world" project is already under way, at least in the sense that work is proceeding apace on the basic body platform on which the next new range of cars will be built and which is code-named DEW98.

While Mr Trotman insists that "no final decisions have been made", it is this platform which is expected to provide the basis for an intended "small" Jaguar and a replacement for the Granada/Scorpio in Europe, as well as a new mid-size range of cars for Ford's core North American market.

However, it was Mr Trotman's thoughts about how the next Ford Escort may be developed which illustrates in most startling terms what Ford's concept of a truly "global" company means – and how it may extend even to making Mazda of Japan, in which Ford has a 25 per cent stake, a core part of the strategy.

"The next generation [of the Ford Escort] might mean that we have one development for Ford and Mazda worldwide," says Mr Trotman.

Both the European Escort and the similarly named but separately developed North American model will be updated between now and 1998, and these modernisations do not form part of the global programme." In that sense, 1998 is already history," says Mr Trotman.

"But early into the next century it might be that if Ford developed a common platform for the Escort for Ford and Mazda to use worldwide, it could free up resources at Mazda to do other things. That's the whole strength of the global approach. Traditionally Europe and North America would have designed unique replacements."

Ford's thinking, already far down the road of discussions with Mazda – where Ford recently significantly strengthened its board presence – is that European operations, with their small car expertise, would lead the development of a truly global Escort, to be built for all markets by both Ford and Mazda.

This would free not only North American Ford operations to develop complementary "world" models using their larger car expertise – but would allow Mazda to concentrate on parallel development of other, possibly niche products like minivans or multi-purpose vehicles.

"It would give the companies a broader product range – essentially more firepower for the same number of battles," says Mr Trotman. "The new Escort would be basically a Ford of Europe design. And while the European teams were doing that, American teams would be creating a new Windstar van, Explorer off-roader, new Taurus car...all sorts of things."

Mr Trotman insists a decision on whether the small Jaguar will be built in the US or Europe is still months away. However, he warned that the strong British connotations of Jaguar may no longer count for much. "But he appeared to lay to rest fears that further substantial restructuring might still await its European operations: "Europe is performing well. We've got through what had to be done; it's behind us and Europe is in a stable condition now."

He also flagged Ford's intention substantially to increase its manufacturing presence in Asia, particularly Taiwan, China and Indian. He predicted that sales in the region will triple in the next 15 years, worth "several million units" to the major motor makers.

First-quarter loss for Alcoa due to charge

By Laurie Morse in Chicago

Alcoa, the world's largest aluminium producer, reported improved operating results for the first quarter, but a $117.9m extraordinary charge left the company with an overall loss.

The group, battling against the debilitating effects of sagging world aluminium prices, has been cutting costs and trimming production. Its first quarter operating improvement was attributed to cost-cutting and slightly higher aluminium prices.

It said operating earnings, excluding charges, rose to $9.6m, or 10 cents per share, in the quarter, a turnround from a fourth-quarter loss of $16.7m but well below first quarter 1993 earnings of $27.6m, or 31 cents per share. First-quarter revenue rose to $2.2bn, from $2.1bn in the same period last year.

Including the extraordinary items, Alcoa suffered a loss of $106.3m, or $1.22 a share, in the first quarter. The previously announced special charges included $50m for closing a California forging plant and $67.9m for early redemption of high-interest debt.

The company took $70.2m in restructuring charges in the fourth quarter of 1993, and in February announced it would cut US aluminium output by 100,000 per year in an effort by producers to boost prices.

Neste trims deficit to FM1.52bn for year

By Christopher Brown-Humes in Stockholm

Neste, the Finnish state-owned oil and petrochemicals group, announced a FM1.52bn ($278m) pre-tax deficit for 1993, a 31 per cent reduction on losses of FM2.22bn a year earlier.

Mr Jaakko Ihamuotila, group chief executive, predicted the group would be back in profit in 1994, adding that its balance sheet would strengthen.

The company is benefiting from a recovery plan, launched last April, which has brought asset sales, lower investments, cost-cutting, and reductions in personnel.

The 1993 figures were hit by a sharp slump in oil prices, high interest costs, and recession in the Finnish economy.

"No positive upswing has taken place in Neste's operating environment," it stated. It blamed an "exceptionally low international oil price" for hitting profits within its main oil businesses, adding that oil consumption had fallen by 4.3 per cent in Finland during the year.

"Petrochemical and plastic prices remained at 1992's depressed levels and international refining margins continued to be slim," it stated.

Higher sales in all divisions helped lift group net sales by 9.9 per cent to FM63.1bn. Oil sales rose 6.6 per cent to FM49.1bn and chemicals rose 19 per cent to FM12bn.

There was an operating profit of FM540m, against a FM227m loss in 1992, but net financial charges of FM2.06bn wiped this out at the pre-tax level.

Chairman of Lagardère sees profits increase

Lagardère Groupe should see an increase in profits this year compared with 1993, Mr Jean-Luc Lagardère, the chairman said, writes John Ridding in Paris.

Addressing a shareholders' meeting called to approve the absorbtion of Matra-Hachette, the missiles to magazines group, into Lagardère, the chairman also indicated his company would play a role in the privatisation of Renault, the state-owned car group.

Mr Lagardère confirmed Matra-Hachette achieved net profits of about FFr620m ($108m) last year, in line with estimates, and confirmed net profits at Lagardère of FFr154m. Lagardère Groupe now has a 93.4 per cent stake in Matra-Hachette, increased from 37.6 per cent.

Kashima Oil chief to quit after forex loss

By Michiyo Nakamoto in Tokyo

The president of Kashima Oil, a Japanese refiner, has said he would resign to take responsibility for the company's loss of Y152.5bn ($1.5bn) in foreign exchange forward transactions.

The loss is the second biggest in foreign exchange forward transactions after a Y166.3bn loss incurred by Showa Shell Sekiyu early last year. Its reflects the vulnerable position of Japanese oil companies which have huge foreign currency needs in the face of fluctuating currency markets.

Mr Hachiro Obata, the president, resigned over the weekend after the oil refiner's loss was made public.

The Ministry of International Trade and Industry, which last year launched an investigation into the effect of forward contracts on oil companies after Showa Shell's loss, plans to investigate Kashima. The ministry said its investigation would not affect Kashima's normal business.

Kashima, an unlisted oil refiner with facilities in Kashima city north-east of Tokyo, is 25 per cent owned by Japan Energy, a mining development and petroleum refining company. Other leading shareholders include Mitsubishi Petroleum, also with 25 per cent and Cosmo Oil, with 22 per cent.

The company's foreign exchange loss far exceeds its capitalisation of Y20bn, so it will have to seek capital injections from major shareholders, as well as assistance from the Industrial Bank of Japan, its main bank. Japan Energy said it was in talks with the company on a rescue package.

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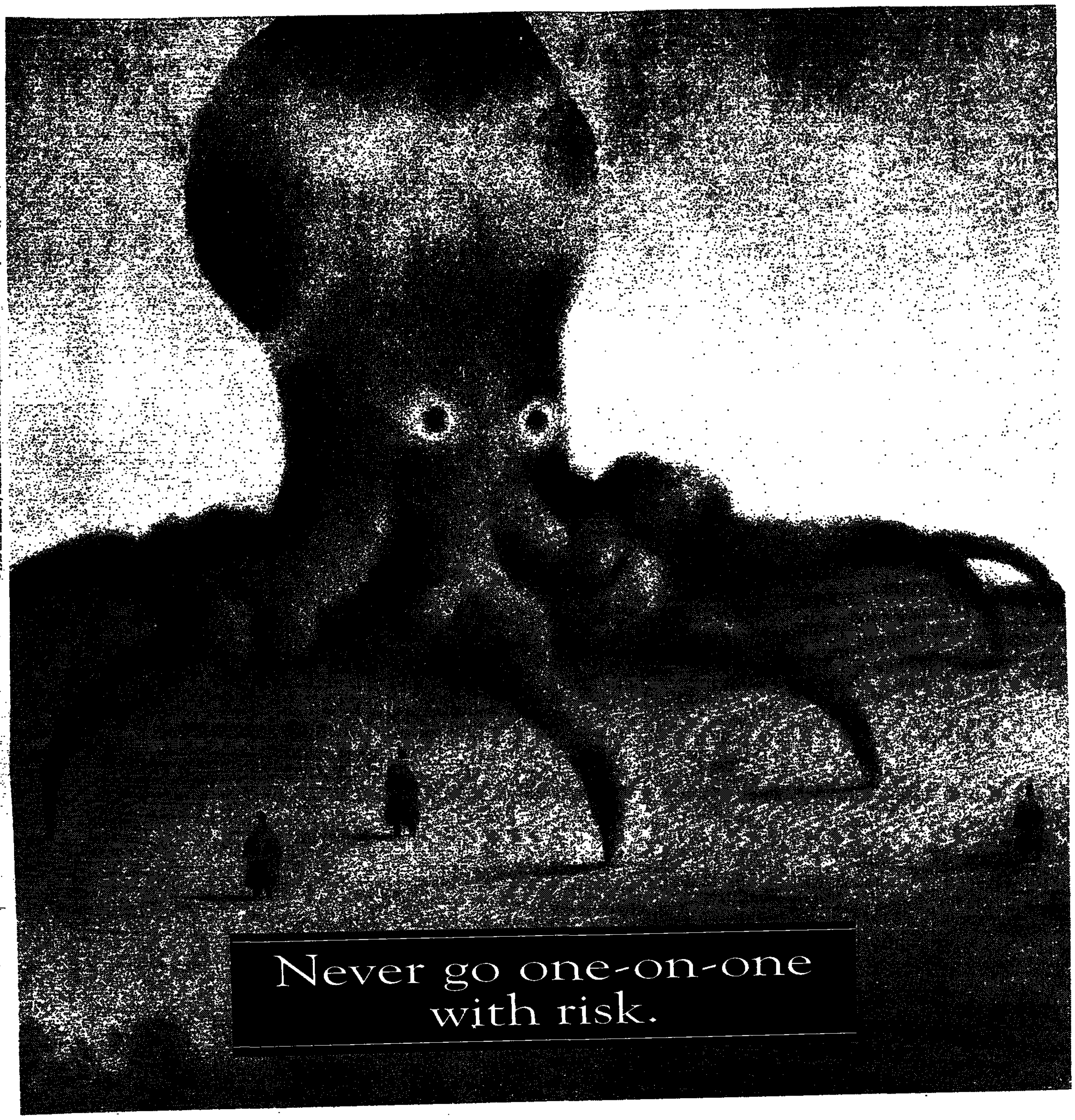

Never go one-on-one
with risk.

The Markets

THIS WEEK

Global Investor / **Martin Dickson in New York**

Fighting off the spectral bear

The coming week may be crucial in establishing whether the recent bounce in US bond and equity markets signals an end to their sharp slide – at least in the short run – or was merely a respite from bearish forces.

Last Tuesday's 82 point jump in the Dow Jones Industrial Average, and its further advances later in the week, certainly had many of the classic characteristics of a market turning point, with an avalanche of anxious selling suddenly switching to a surge of bargain-hunting buying.

The rebound was also statistically very tidy: a wide array of analysts had forecast a 10 per cent market correction, and lo, the market turned after a 9.7 per cent drop – right in line with the historical average for a market correction, both in scale and duration.

But relying on history can be dangerous, and this comforting picture could be a little too neat. Certainly, Friday's market reversal demonstrated how closely sentiment in the equity sector remains tied to continued nervousness among bond traders over the prospects for growth and inflation, and the possibility of further tightening by the Fed, at or before its May 17 policy meeting.

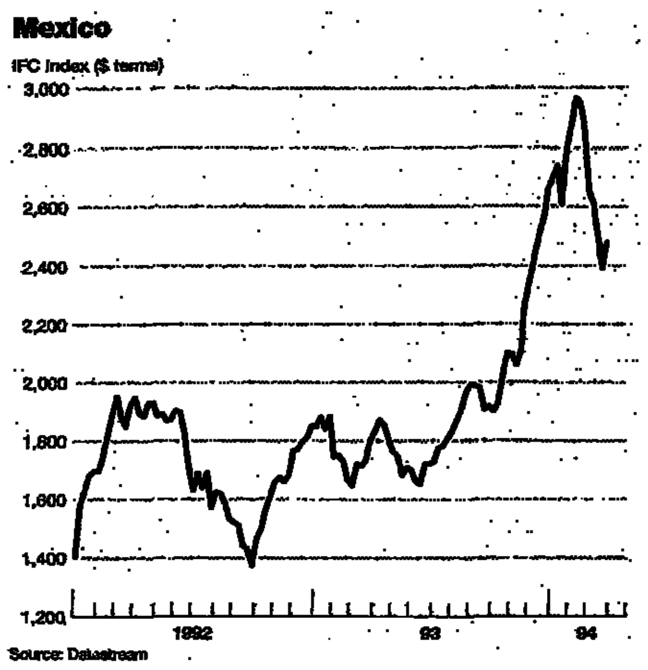
This week fixed income desks have to weather a barrage of statistical data, ranging from the consumer and producer price indices, which should give comfort to the market, to figures for retail sales, business inventories and industrial production, any one of which could spook traders if they are so minded.

Still, the first quarter corporate results season beginning this week should at least remind equity investors that the US economic outlook remains remarkably benign, promising solid growth of 3 to 4 per cent, strong productivity gains, and an annual inflation rate of 3 per cent or less.

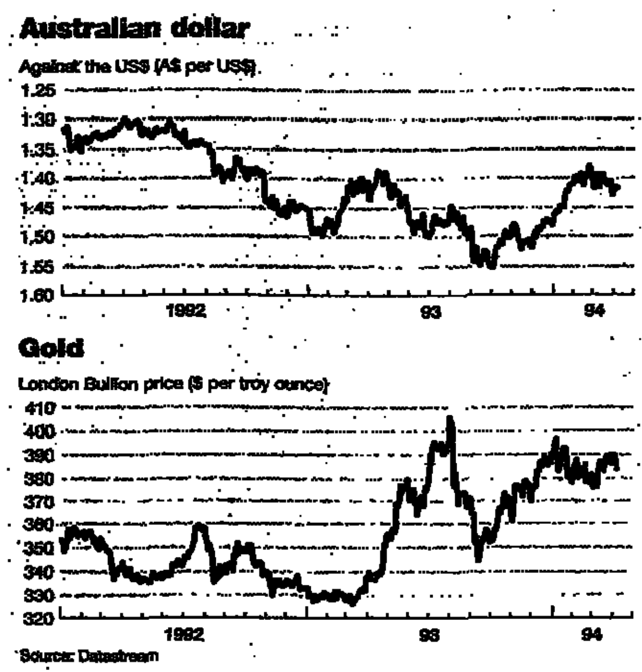
Corporate profits in many sectors are likely to be up 10 to 15 per cent this year, with double digit gains possibly extending to the end of 1995.

The Fed's tightening has had the beneficial effect of knocking a lot of froth off a market which at the start of the year was beginning to look dangerously overstretched.

It now looks much closer to fair value, judged by traditional yardsticks. For example, Abby Joseph Cohen of Goldman Sachs reckons the S&P 500 is selling at roughly 14 times 1994 operating earnings per share, whereas in previous periods when inflation was 3.5 per cent or less, the average p/e was 16.4. A further dip to, or below, the recent trough would throw up attractive buying opportunities.



Source: Datastream



Source: Datastream

■ Mutual funds

The strength of the US equity market over the next few weeks will depend in substantial part on the behaviour of the individual investors who have poured cash into mutual funds over the past two years – and are now suffering their first serious reversal.

In the wake of the Fed's February tightening, the first phase of the market correction was driven mainly by market professionals – investment bank trading desks and the overly maligned hedge funds, which were forced to liquidate holdings to reduce their leverage. Fund managers window dressing portfolios at the end of the first quarter also played a part.

Small equity investors remained reasonably sanguine, in part because until two weeks ago the brunt of the market's decline was borne by the fixed income sector. The latest statistics suggest there is still a net inflow to equity mutual funds, albeit at a rate much reduced from the start of this year, and there are signs of some movement back into the safe haven of money market funds.

But will these investors will remain quite so relaxed when their fund managers' first quarter performance statements pop through the letter-box?

The concern is probably overdone. First, small American investors have grown used to large market swings since the 1987 crash. Second, the overwhelming weight of professional advice, reaching them from brokers and media pundits, is that they are not witnessing a prolonged bear market and that they should avoid selling at the bottom.

Third, with short-term interest rates still very low in real terms, money market accounts have limited allure, though that will gradually change as the Fed goes on tightening.

A gradual shift back to money market accounts could exert some drag on equities, but it is arguable that this will be offset by increased buying of US equities from corporate pension funds and foreign investors, attracted by the expanding economy and likelihood of a strengthening dollar.

■ Mexico

The recovery in US equities last week was mirrored in Chile and Argentina, which were among the many emerging markets to take a nose-dive after the Fed's February tightening. But notably absent from this Latin bounce was Mexico, where stocks fell sharply on the week.

The Mexican market is now down some 25 per cent from its highs of early February, as domestic political turmoil has reinforced the bearish sentiments from across the Rio Grande.

Investor nervousness following the peasant rebellion in Chiapas and the killing of Luis Donaldo Colosio, presidential candidate for the ruling PRI party, have combined with rising US interest rates to put pressure on the Peso and force short-term interest rates up sharply.

That, in turn, has analysts revising downwards their estimates for GDP growth, with some cutting a half a percentage point off figures which previously ranged from about 2.5 to 4 per cent.

Nor is there much hope of an early end to the political uncertainty, amid growing evidence that Colosio's death was the result of a conspiracy, rather than the action of a lone gunman, and continued rumblings from Chiapas.

The PRI's new presidential candidate, Ernesto Zedillo, who belongs to the party's economic reformist wing, still seems likely to win the August 21 election, though that remains far from certain, given that he has never held elective office and the party's old guard dislikes him.

Geoffrey Dennis of Bear, Stearns does not see an imminent return to the kind of virtuous economic and political circle which would substantially lift the market, but argues that the uncertainty is simply delaying an eventual upturn from the recent recession.

"Once you get recovery, and the North American Free Trade Agreement also starts to kick back in, you logically set off on a four, five, six-year period of sustained growth."

Provided, of course, that the political upheavals in the first few months of this year are not merely scratching the surface of more violent political divisions, which have yet to emerge.

Total return in local currency to 7/4/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.07	0.04	0.11	0.12	0.15	0.10
Month	0.30	0.20	0.51	0.53	0.69	0.43
Year	3.60	3.28	6.75	8.19	11.81	5.75
Bonds 3-5 year						
Week	-0.42	-0.56	0.31	0.00	0.13	0.05
Month	-1.30	0.78	0.75	-0.44	0.56	-2.13
Year	1.55	6.61	7.70	9.64	22.67	6.68
Bonds 7-10 year						
Week	-0.36	-0.69	0.32	-0.22	0.00	-0.34
Month	-2.54	1.56	0.50	-1.44	1.55	-3.28
Year	1.08	8.13	7.71	10.63	32.64	7.16
Equities						
Week	1.3	3.5	2.7	1.7	1.8	1.4
Month	-3.0	0.1	3.7	-4.1	13.1	-5.0
Year	4.6	4.3	31.7	15.2	55.1	17.1

Best performing stocks from FT-A World Indices in local currency to 7/4/94

		% change		
	Close	Week	Month	Year
Tasman Properties (Mal)	0.04	33.3	5.4	-50.0
Analog Devices (US)	30.50	17.3	11.7	57.4
Four Season Hotels (Can)	12.75	17.2	-7.3	-20.3
Kolpe (Spa)	6,200.00	16.5	19.2	24.0
Public Bank (Mal)	4.80	16.5	12.9	78.4
Kim Hin Ind. (Mal)	17.10	14.8	7.4	n.a.
Nagasakia (Jap)	863.00	14.3	7.5	-10.1
Italcementi (Ita)	1,625.00	13.8	34.5	39.3
Nitto Boseki (Jap)	329.00	13.5	9.7	-18.4
American Greetings (US)	29.88	13.8	14.0	15.5

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

■ Australian dollar

The price of gold, which rose sharply in March on inflation fears and South African violence, could move closer to the $400 mark over the next few weeks if the run-up to South Africa's election in late April produce more serious clashes between Zulu forces and the ANC. But given the influence of South African politics on the metal, is it sensible to use the gold price as an indicator of inflation psychology, as Mr Alan Greenspan, the chairman of the Fed, said he was doing recently?

David Hale, chief economist of Kemper Financial Services, argues that Mr Greenspan should be paying more attention to the Australian dollar as a barometer of inflationary expectations over the next few months: "Most international investors regard it as a good proxy for global inflation trends because commodities account for about 80 per cent of Australia's exports and commodity producing companies account for over one third of the country's stock market capitalisation."

What does its recent performance show? The currency rose sharply in late-1993 but since the Fed tightened it has been in a trading range below its January peak, suggesting that the Fed's tightening has successfully dampened inflationary fears.

Economic Eye / **Gerard Baker**

Deflation – the biggest threat to Japan's economy

Japan's spring pleasures – cherry blossoms, the start of the baseball season, changing the prime minister – seem to have an uplifting effect on the Japanese economy. In the last three years, the end of winter has been marked by official figures apparently showing the end of the long recession.

But in the last two years, the revival has disappeared as quickly as the cherry blossom itself. Will 1994 repeat the pattern?

In the first three months of 1992 gross domestic product grew at an annualised rate of 2.4 per cent. But that was as far as the recovery got. In the remaining three quarters of the year output contracted.

Last year the first quarter produced growth at an annualised rate of more than 3 per cent. Again the recovery proved short-lived.

All the indications are that the first three months of 1994 will again give rise to more vernal optimism. Consumption, housing starts and business confidence have all been rising, and the first quarter GDP figures are expected to show the familiar resumption of growth.

Unabashed by previous premature declarations of recovery, Mr Yasushi Mieno, the Bank of Japan's governor, claimed last week that there is something durable about this revival.

He pronounced the economy to be "near the bottom" of the current cycle – not jubilant rhetoric, but from the cautious Mr Mieno, a significantly more upbeat assessment than previous judgments.

His remarks led to a flurry of selling in the bond market as investors took them as a hint that the official discount rate, currently just 1.75 per cent, might also have reached the bottom of its cycle.

However, the Japanese authorities are likely to look especially hard at the evidence before concluding that the recession is really over, and adjusting policy accordingly.

For the most significant threat to Japan's economy is not inflation, but its opposite.

The risks of a lasting deflation are probably now greater in Japan than they have been in any big industrial country since the Great Depression.

Falling asset prices have been a feature of the Japanese economy for the last few years as the "bubble economy" burst. At first that disinflation was seen as an unwelcome but healthy corrective to the excesses of the financial boom.

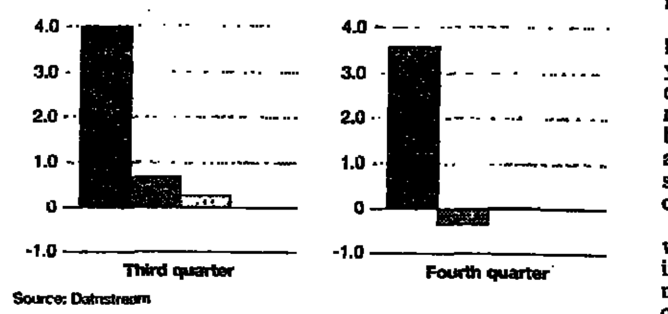
But now the virus has spread to the rest of the economy.

The core rate of consumer price inflation (excluding seasonal food prices) is now down to 1 per cent. But taking the last three months compared with the previous three, consumer prices have actually fallen by 1 per cent.

Even that may understate the extent of the deflation. The CPI's basket is revised just once every five years, and since consumer spending patterns have changed, the likelihood is that real inflation is even lower.

Wholesale prices have been falling for more than a year. In the year to February they dropped by 3.1 per cent.

Wages are also flat. Though the recent shunto spring wage negotiations resulted in 3 per cent wage increases, this disguises the real picture.



Source: Datastream

Bonuses represent as much as half of a worker's salary and have been cut, or in many cases, cancelled this year. Last year total wages rose by 0.6 per cent and the 1994 figure could be lower.

The yen's strength is making matters worse. The latest endaka, a 15 per cent revaluation in the last year, is only now filtering into prices. Though it will be a once and for all hike in the price level, the higher yen will depress demand further.

Bank lending grew at an historically low rate of just 0.5 per cent in January, and the money stock (M2 plus cds) spent most of 1993 falling.

In short, the conditions are in place for a classic, 1930s-style deflation, a downward spiral of falling prices and falling demand which characterised the Great Depression.

In a deflation firms have to cut prices to remain competitive in a push downwards, reducing wages, and so demand, still further.

Falling prices depress consumption in other ways; consumers defer spending as prices fall, hoping to benefit from future lower prices.

But it is the financial aspects of deflation that most threaten Japan at present. Firms are already labouring under real interest rates of around 4 5 per cent, even though nominal rates are at an all-time low.

Worst of all is the spectre of real debt inflation – the real value of companies and individuals' debt is rising. The recession has forced companies which borrowed heavily in the 1980s to strengthen their balance sheets. Yet debt-laden firms now find that the real cost of servicing their debt is rising.

Net debt to income ratios have fallen in the last few years, yet the number of bad debts carried by the banks has risen sharply. If the real debt burden were to rise again, the already weakened financial sector would be further handicapped.

This may sound alarmist to a world weaned on the perils of inflation. Isn't a bit of deflation merely a beneficial side effect of Japan's depressed demand?

A feature of the post war economy has been relatively low inflation. Some argue that the severity of the current recession has simply produced a huge output gap – the difference between actual ouput and potential output – 10 per cent by some estimates. In those circumstances low inflation – even by Japanese standards – is only to be expected.

But a deflation acts more like a spiral than a cycle. When an economy gets pulled into such a vortex, counter-cyclical stabilisers may not be effective.

Until now, the Bank of Japan has pursued an accommodatory monetary policy – with the lowest nominal interest rates in the world.

But the real deflationary pressures at work in the economy mean that policy is tightening by default.

Another spring glimmer of recovery may tempt the Bank to keep rates where they are. If it does, this upturn may prove to be as durable as the average Japanese prime minister.

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EMERGING INVESTOR: This Week

The Emerging Investor / Stefan Wagstyl and Sara Webb

Indian issue faces uncertain reception

India's ability to tap the capital markets for the funds it needs to lift itself from the ranks of the world's poorer nations faces an important test this week.

Videsh Sanchar Nigam, the state-controlled international telecommunications utility, wants to raise $1bn in Euro-equity in the biggest-ever Indian issue and one of the largest global issues this year.

Salomon Brothers and Kleinwort Benson, the investment banks which are co-global co-ordinators for the issue, are now holding roadshows for the issue, taking in cities in east Asia, Europe and the US.

Six weeks ago the VSNL offering would almost certainly have been a roaring success – probably priced at a premium to the prevailing Indian domestic price and almost certainly oversubscribed. Such was the popularity then of emerging markets. Now, fund managers have grown more cautious, partly because of the worldwide correction in stock markets which followed increases in US interest rates and partly because of a sharp decline in Indian equities.

Euroissues have in the past year been the most important conduit of foreign investment into India – accounting for some $2bn of a total inflow of $5bn in the year to March. A further $1.5bn came from portfolio investment in the Indian stock market. The performance of the VSNL issue will significantly influence how much India is able to raise this year.

"VSNL will be a very significant test for the market and it will be the bellwether for GDRs for several reasons, because it is a lot bigger than the other Indian GDRs, because it is a telecoms stock, and because it is a government disinvestment," says Mr Jeff Chowdhry, director at Barclays de Zoete Wedd Investment Management, which recently raised $510m for its India Fund.

VSNL as a company is still seen as having great merits, holding a monopoly of basic international telecommunications in a large developing country which is trying to integrate its economy with the rest of the world through foreign trade and investment. In the year ending March 1993, it made after-tax profits of Rs1.12bn on revenues of Rs7.47bn.

However, the 10 per cent decline in prices on the Bombay stock exchange since the end of February has made pricing the VSNL issue difficult. Prices have fallen for a combination of reasons of which the most important is that a correction was due after a sustained rally which had seen shares double from lows reached last spring.

Also, investors were disappointed that the government's 1994-95 budget, announced in late February, did not fulfil the highest hopes of those who wanted to see strong measures to promote growth. They were concerned too about the potential impact on inflation of the government's failure to curb public borrowing as effectively as it had promised.

Moreover, the Securities and Exchange Board of India, the markets watchdog, enforced a long-threatened ban on Badla – the informal forward market in shares which accounts for about 75 per cent of all stock exchange trading. Badla brings liquidity to the market, but is subject to frequent abuse and price manipulation.

As Indian equities fell, so did Indian Euroissues, often faster and further than the underlying shares. This was mainly because these international offerings had usually been sold at a premium to the Indian market price. So strong was the demand for Indian paper, and so difficult is it to negotiate the tortuous intricacy of Indian domestic settlement systems, that fund managers were ready to pay extra for the convenience of Europaper, particularly in those cases where they lacked the necessary FII status allowing direct investment in the stock market.

With a few exceptions those premia have now evaporated, and most Euroequity issues trade at discounts of up to 15 per cent of the equivalent Indian stock exchange price.

The turmoil put a month-long stop on Indian Euroissues, which ended only last week as three companies started roadshows: VSNL, Calcutta Electric Supply Corporation, which launched a GDR and warrant issue (hoping to raise $89.25m based on Friday's pricing of $53.34 per unit of five GDRs and two warrants and an additional $35m if the warrants are exercised), and Tube Investments, an engineering group, seeking $50m in equity.

CESC, which supplies electricity in Calcutta, has had a difficult time coming to market. It parted company with its original lead manager, Kleinwort Benson, after disagreements surfaced over the price and timing of the issue. Kleinwort wanted to bring CESC to market after VSNL, but CESC executives wanted to go first in case investors were swamped by the giant VSNL offering.

Paribas Capital Markets of France secured the mandate, and is now wooing investors at exactly the same time as VSNL. Both Kleinwort and CESC declined to comment publicly on the dispute.

Despite the setbacks in emerging markets, investment bankers believe there is still strong demand for well-priced companies with strong prospects.

Mr Nanavati of Standard Chartered says at least two recent Indian Euroissues – Indo-Gulf Fertilisers, a chemicals company belonging to the industrial grouping headed by Mr Aditya Birla, and Videocon International, the leading consumer electronics maker – have retained premia of more than 30 per cent above the Indian stock market price. But both issues were attractively-priced, and both companies are believed to have particularly good growth prospects.

Mr Chowdhry of BZW says that dedicated India funds like his prefer to invest directly in India, while international equity offerings tended to appeal more to the non-specialist funds. However, even the specialist funds were looking more closely at the GDRs once they fell to a discount.

Officials at the Indian finance ministry are keeping their fingers crossed over the VSNL issue, not least because the government is the main shareholder. If the issue flops, India's reputation could suffer. But, if the shares are offered too cheaply to foreigners, the government could face domestic political attacks.

RECENT INDIAN GDR ISSUES

Company	Issue date	Issue price/ GDR ($)	% change to date of issue
SPIC	Sept 93	11.15	45
M & M	Nov 93	7.44	14
Indo-Gulf Fertilisers	Jan 94	4.51	-18
GE Shipping	Jan 94	15.9	-27
Indian Rayon	Jan 94	22.61	-13
Videocon Intl	Jan 94	8.10	8
Arvind Mills	Feb 94	9.75	-33
Reliance-II	Feb 94	24.10	-21
Jain Irrigation	Feb 94	11.13	-30
Indal	Feb 94	10.15	-11
Wockhardt	Feb 94	28.59	-21

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Koc Yatrim	Turkey	1.2117	0.3634	42.84
Guney Biracilik	Turkey	0.9197	0.2266	32.70
Migros	Turkey	9.9270	2.3663	31.30
Ege Biracilik	Turkey	2.5110	0.5688	29.15
Kordosa	Turkey	0.1810	0.0388	27.29
Eregli Demir Ve Celik	Turkey	0.2044	0.0424	26.15
Arcelik	Turkey	0.7737	0.0987	14.61
Enersis SA	Chile	0.4010	0.0425	11.87
Chilean Generacion Electrica	Chile	5.4509	0.5277	10.72
Aksa Akrilik Ve Kimya	Turkey	0.8277	0.0807	10.70

Source: Baring Securities

News round-up

■ **Greece**

The market will react this week to expectations that the socialist government will reverse its decision to impose a 15 per cent tax on dividends of mutual funds that invest in Greek government securities, *writes Kerin Hope in Athens*.

The move, included in a fiscal reform package announced last week, took brokers by surprise as the finance ministry had stressed that interest on government paper would remain entirely tax-free. Confidence was also affected by the European Commission's decision to take legal action against Greece for imposing a trade embargo against Macedonia. The general index fell by 2.1 per cent last week.

However, the index is still 4.7 per cent up on last year. Trading volume averaged Dr8.7bn ($35m) daily for the first quarter, three times the 1993 average. The flow of new listings and rights issues, led by construction companies in search of fresh capital to finance infrastructure projects included in a new European Union assistance package, shows no sign of abating.

Listed companies have raised Dr51bn in fresh capital so far this year.

■ **China**

Shanghai Automation Instrumentation has said that it plans a B share listing on the Shanghai stock market with an issue of 70m shares for foreign investors at 24.8 US cents each. The shares will go on offer on April 28.

The company is also offering some 32m shares to domestic investors. The group said that it planned to use the proceeds to build construction facilities for automatic control instruments in power stations. Trading in the B shares is expected to start on May 12.

● Four of the largest state-owned Chinese companies selected for listing outside China are seeking a listing on the New York Stock Exchange. Two power supply companies and two regional airlines, expected to raise between $250m and $500m each, have signed up with US investment banks, according to industry executives.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

CURRENCY MARKETS

Philip Gawith

Politics and trade influence yen

The yen will be in the spotlight this week as investors seek to assess the impact of the resignation last Friday of Mr Morihiro Hosokawa, the Japanese prime minister.

Although the initial focus will be on the appointment of Mr Hosokawa's successor, few analysts believe the change has serious policy implications.

The weakness and confusion within the ruling coalition makes it difficult to predict when a successor will be appointed.

For the markets, two key issues arise from his departure: What will it mean for the passage of the Japanese budget and what impact will it have on Japan's trade dispute with the US.

The opposition LDP has recently blocked passage of the budget, delaying implementation of a Y15.25 trillion fiscal stimulus. Failure to pass this package will harm economic prospects, depress the stock market and probably spill over into a weaker yen.

In recent months the dominant factor affecting the value of the yen has been the trade dispute between Japan and the US.

Any indication of a deterioration in relations has tended to strengthen the yen.

This week is likely to see a new development on the trade front, with the GATT conference in Morocco expected to provide the forum for a resumption of bilateral trade talks.

Elsewhere, a raft of US economic data, and the first Bundesbank council meeting for four weeks, will shed further light on the prospect of a decoupling of US and European financial markets.

US producer and consumer price figures will be carefully watched for hints of inflation. Retail sales figures will also offer an indication of the economy's strength.

Short of some very unexpected figure, most observers are not expecting any change of policy before the next meeting of the Federal Open Market Committee on May 17.

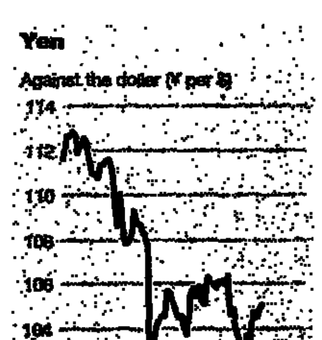
Talk of a cut in the German discount rate has also receded as the recent strength of the dollar has put the D-Mark under pressure.

The repo rate will continue to be trimmed, but analysts now favour the April 28 meeting of the Bundesbank to produce a cut in the discount rate.

Two European currencies that will be closely watched are the lira and the escudo. Continued progress towards forming a new government in Italy will bolster the lira further, pushing it below L950 against the D-Mark.

In Portugal, meanwhile, markets will be watching to see if the central bank has successfully warded off the speculators who drove the currency lower over the past two weeks.

Yen



Source: Datastream

Baring Securities emerging markets indices

Index	8/4/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (248)	151.32	-4.07	-2.62	-15.44	-9.26	-17.09	-10.15
Latin America							
Argentina (19)	105.38	0.61	0.58	-14.75	-12.28	10.00	-8.67
Brazil (20)	166.95	-20.69	-11.03	-22.78	-12.01	27.30	19.55
Chile (12)	162.00	9.88	6.49	-4.44	-2.67	14.46	9.80
Mexico (24)	135.06	-5.89	-4.18	-22.52	-14.29	-26.21	-16.25
Latin America (75)	142.85	-6.91	-4.61	-19.78	-12.16	-6.39	-4.28
Europe							
Greece (14)	90.34	-2.25	-2.43	-7.48	-7.65	7.25	8.72
Portugal (14)	126.84	-2.87	-2.06	-1.51	-1.18	14.72	13.13
Turkey (22)	73.22	7.45	11.33	-10.78	-12.83	-88.49	-54.72
Europe (50)	102.98	-0.50	-0.48	-5.50	-5.07	-9.25	-8.24
Asia							
Indonesia (17)	138.91	-11.17	-7.44	-20.65	-12.94	-32.13	-18.79
Korea (23)	114.53	1.64	1.46	-7.47	-6.12	4.83	4.40
Malaysia (22)	198.05	1.47	0.75	-10.46	-5.01	-56.00	-21.73
Philippines (11)	251.54	-8.25	-3.18	-4.66	-1.82	-70.94	-22.00
Thailand (21)	199.08	-0.43	-0.22	-16.45	-7.63	-54.50	-24.47
Taiwan (29)	139.29	5.79	4.34	1.71	1.24	-14.42	-9.38
Asia (123)	181.06	0.55	0.31	-9.55	-5.01	-40.35	-18.23

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 8, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Equat'l Guinea	(CFA Fr)	865.540	587.008	342.585	557.945
Estonia	(Kroon)	20.2120	13.7078	8	13.029
Ethiopia	(Ethiopian Birr)	7.2866	4.9416	2.884	4.697
Falkland Is	(Falk £)	1.00	0.6781	0.3958	0.6448
Faroe Is	(Danish Krone)	9.8869	6.7072	3.9144	6.3752
Fiji Is	(Fiji $)	2.2240	1.5083	0.8802	1.4338
Finland	(Markka)	8.1363	5.518	3.2203	5.2448
France	(Fr)	8.6654	5.87	3.4256	5.5794
Fr. Cty/Africa	(CFA Fr)	865.540	587.008	342.585	557.945
Fr. Guiana	(Local Fr)	8.6654	5.87	3.4256	5.5794
Fr. Pacific Is	(CFP Fr)	157.70	106.952	62.4183	101.657
Gabon	(CFA Fr)	865.540	587.008	342.585	557.945
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Mozambique	(Metical)	8253.48	5597.48	3266.75	5320.34
Namibia	(S A Rand)	5.2441	3.5565	2.0756	3.3804
Nauru Is	(Australian $)	2.0285	1.3763	0.8032	1.3082
Nepal	(Nepalese Rupee)	72.59	49.3726	28.8145	46.9283
Netherlands	(Guilder)	2.8583	1.9385	1.1226	1.8288
N'nd Antilles	(A/Guilder)	2.6456	1.7942	1.0471	1.7054
New Zealand	(NZ $)	2.5767	1.7475	1.0198	1.6609
Nicaragua	(Gold Cordoba)	9.8195	6.6595	3.8866	6.3298
Niger Rep	(CFA Fr)	865.540	587.008	342.585	557.945
Nigeria	(Naira)	32.4390	22	12.8395	20.9108
Norway	(Nor. Krone)	10.9856	7.4184	4.3293	7.0492
Oman	(Rial Omani)	0.5677	0.385	0.2246	0.3658
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	2409.60	1630.25	951.485	1549.64
Venezuela	(Bolivar)	170.600	115.7	67.5242	109.972
Vietnam	(Dong)	16163.40	10962	6397.55	10419.3
Virgin Is-British	(US $)	1.4745	1	0.5836	0.9504
Virgin Is-US	(US $)	1.4745	1	0.5836	0.9504
Western Samoa	(Tala)	3.7993	2.5761	1.5034	2.4485
Yemen (Rep of)	(Rial)	26.70	18.1078	10.5679	17.2113
Yemen (Rep of)	(Dinar)	0.6812	0.4619	0.2696	0.4391
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	293.40	198.983	116.129	189.132
Zambia	(Kwacha)	1074.80	728.935	425.411	692.835
Zimbabwe	($)	11.9910	8.1322	4.746	7.7298

Special Drawing Rights April 7, 1994 United Kingdom £0.951177 United States $1.39604 Germany DM2.38107 Japan Y146.985 European Currency Unit Rates April 8, 1994 United Kingdom £0.768728 United States $1.13148 Germany DM1.93849 Japan Y115.889

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Convertible rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Public transaction rate; (p) Official rate; (q) preferential rate; (r) convertible rate; (t) parallel rate; (u) Selling rate; (v) Tourist rate; (4) Currencies fixed against the US Dollar; (y) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rates for Burundi & Rwanda are for March 31st. (3) Turkish Lira devalued by 29% on April 5th. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 834 4360/5.

Friday, April 8, 1994

WORLD BOND MARKETS: This Week

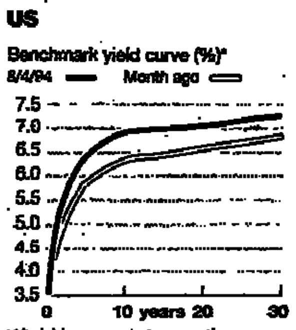
NEW YORK — Richard Tomkins

Investors thumbed their collective nose at market trends last week and lifted bond prices for three consecutive days: but on Friday, the rally broke down as nervousness about this week's barrage of economic data set in.

The fear is that data pointing to inflationary pressures will provide the Federal Open Market Committee with an excuse to increase interest rates. Salomon Brothers predicts that, whether in one step or two, the committee is poised to push the funds rate from 3.5 per cent to 4 per cent on or before its May 17 meeting.

On Tuesday, the barrage will start quietly if the producer price index for March shows the expected increase of just 0.2 per cent. But Wednesday will be lively if the March increase in consumer prices is greater than February's 0.3 per cent, and there could be worries about the likely increase in retail sales of 1 per cent or more.

Thursday brings the figures for inventories held by manufacturers, wholesalers and retailers, with analysts predicting increases ranging from 0.2 per cent to 0.4 per cent. The week could end with another busy day's trading on Friday if, as expected, figures for industrial output show that the overall operating rate rose to 83.7 per cent in March, the highest since June 1989.



*All yields are market convention
Source: Merrill Lynch

LONDON — Philip Coggan

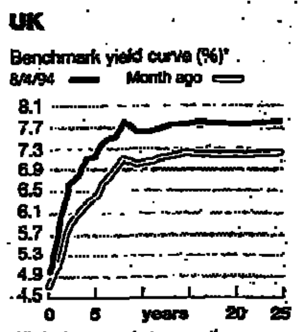
The main statistic of the week will be Friday's retail price index for March. After February's disappointing numbers, the market will be looking for a fall in the underlying rate (excluding mortgage payments) to 2.6 per cent. The headline annual rate is expected to be unchanged at 2.4 per cent.

Mr James Barty, UK economist at Morgan Grenfell, says he thinks the last inflation numbers caused an over-reaction, but adds, "the markets are going to want an assurance there has been no pick-up in inflationary pressures".

Another statistic that will be closely watched is the January whole world trade figure. The December £1.6bn deficit awakened fears that the UK's tendency to suck in imports was recurring. Analysts are hoping that the January deficit will have dropped to £1.3bn.

Gilts seemed to have stabilised last week, despite strong data on UK industrial output. By the time trading resumed on Tuesday, the US payroll numbers, published on Good Friday, were digested with relative calm.

According to S.G. Warburg Securities, spreads versus US Treasuries have narrowed to 70 basis points from 128 basis points two weeks ago. But a more sustained rally may need firmer evidence that fears of a revival in US and UK inflation are unwarranted.



*All yields are market convention
Source: Merrill Lynch

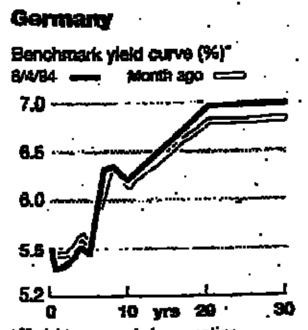
FRANKFURT — Antonia Sharpe

German government bonds gained around 0.25 per cent in local currency terms last week, according to Salomon Brothers' world government bond index, helped by the Bundesbank's continued step-by-step declines in the repo rate and the improvement in market sentiment since the start of the second quarter.

The Bundesbank cut the repo rate by three basis points to 5.73 per cent last Wednesday, in line with forecasts, but analysts said the move was marred by the Bundesbank's misjudgment of the liquidity situation in the money market. Contrary to market expectations, the Bundesbank drained a net DM1.8bn from the system on Wednesday but it was forced to allocate DM7bn via a seven-day repo the morning after.

Traders expect the yield curve to steepen this week as rate cut speculation mounts ahead of the Bundesbank's council meeting on Thursday. The Bundesbank has scheduled a press conference after the meeting at which it is expected to announce its 1993 profits, thought to be around DM20bn.

There is speculation that the Bundesbank will announce a half-point cut in the emergency Lombard funding rate, which has remained at 6.75 per cent since last October.



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

The fate of Japanese financial markets and the economy rests with how soon the next government is formed following Prime Minister Morihiro Hosokawa's resignation announcement last Friday.

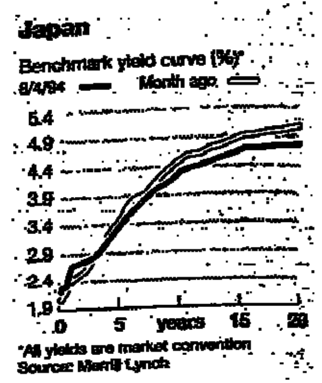
Political uncertainty is expected to last throughout the week, and investors are unlikely to take on large positions until there is a clear indication of what lies on the political horizon.

The worst case scenario for the economy, but a positive one for the bond market, would be if the current coalition proved unable to decide on the next prime minister, prompting a general election followed by a political realignment.

Meanwhile, worries of oversupply may weigh on the bond market as municipal governments and companies are likely to raise funds through the straight bond this month.

Companies have had to refrain from corporate bond financing because of last month's volatility on the bond market.

However, some traders expect instability stemming from uncertainty over US interest rates to continue this week. Japanese bonds are likely to be affected if fears of further tightening by the US Federal Reserve Board destabilise the US Treasury bond market.



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Antonia Sharpe

German traders hope for high-profile cut

The Bundesbank's 16 council members are scheduled on Thursday to hold their first meeting since the Easter break, and traders of German government bonds are hoping they will underline the recent but gradual decline in German repo rates with a high-profile cut in official interest rates.

The cut of three basis points at last week's repo tender has brought the cumulative fall in the repo rate to 27 basis points over the last six weeks since variable-rate repos were introduced. The repo rate now stands at 5.73 per cent, compared with a discount rate of 5.25 per cent and a Lombard rate of 6.75 per cent.

"The Bundesbank's policy is aimed at getting us ready for another official rate cut, but it does not want the market to feel that it's a one-way bet this week," says Dr Richard Reid, chief economist at Union Bank of Switzerland in Frankfurt. "All markets want confirmation of lower rates in Germany, but the Bundesbank is not in the business of placating capital markets."

Speculation is strongest for a half-point cut in the Lombard rate, which has remained unchanged since last October. Optimists justify their stance by saying that a cut in the Lombard rate will help to ease the pressures which have built up recently in the German money market, because banks will find it less costly to borrow emergency funds from the Bundesbank.

The change in reserve requirements for banks and the long Easter weekend have contributed to the volatile conditions in the money market. The shortage of liquidity has forced call money rates as high as 6.75 per cent in recent weeks, and last week the Bundesbank badly misjudged the situation in the market when it drained a net DM1.8bn on Wednesday but then had to allocate DM7bn via a seven-day repo the morning after.

There are also hopes the Bundesbank will cut the discount rate by a half-point, although a decision to keep this rate unchanged should not lead to any great disappointment since the market would then look to April 28 with even greater confidence.

"The odds are 60-40 for a cut of 50 basis points in the discount and the Lombard rates," says Dr Helmut Kaiser, senior economist at Deutsche Bank in Frankfurt. He adds that in the event of a cut, the Bundesbank could bring the repo rate down to 5.50 per cent but then switch to a fixed-rate tender. This would signal a shift in its recent policy of nudging down unofficial rates by using variable rate tenders.

Traders expect the German yield curve to steepen as speculation mounts in the run-up to Thursday. However, the market is likely to be kept guessing until the moment the Bundesbank makes public its decision, because the repo tender will not be held on Wednesday but one day later so that the Bundesbank can offset the boost to liquidity as it transfers its 1993 profits, estimated at DM20bn, to the government. As a result, traders will not have the usual 24 hours to consolidate their expectations either way.

In spite of the market's optimism, seasoned Bundesbank watchers believe that the central bank will hold out until April 28, by which time it should have more evidence of declining inflation in Germany and improving money supply data.

"If we have a rate cut on Thursday it would be Kenneth Clarke style rather than the more typical behaviour of the Bundesbank," says Mr Julian Callow, European economist at Kleinwort Benson in London. He adds that although the Bundesbank has distanced itself from M3 in recent months, due to the wild fluctuations in the numbers, the data are still too large to justify a cut. In addition, several council members have been schooled in the M3 orthodoxy, he says.

Ms Alison Cottrell, international economist at Midland Global Markets in London, says that unless the D-Mark breaks new highs for the year this week, optimists are likely to be disappointed.

She believes the Bundesbank will not even serve up a half-measure by cutting the Lombard rate on its own, something which it has done just twice in the past 10 years and during times of immense international pressure.

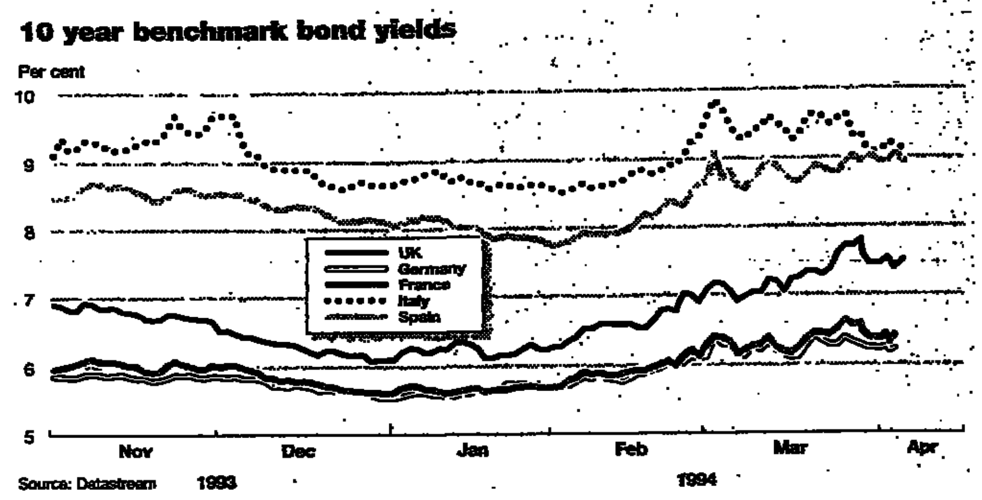
Such a move would reduce the status of the Lombard rate as an emergency funding rate, she says. "The Bundesbank does not want the Lombard rate to become used often, it should be only for emergencies," Ms Cottrell says.

In her view, the Bundesbank would prefer to take the pressure off call money rates by allocating funds through an extra tender, at 6.15 per cent for example. In addition, the Bundesbank's transfer of its 1993 profits would make it difficult simultaneously to cut official rates.

Mr Callow notes that the Bundesbank has ample room to keep cutting the repo rate by another quarter-point before it would need to cut the discount rate.

Analysts estimate that the Bundesbank would encounter technical difficulties if the yield spread between the two rates went below 25 basis points.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.25	7.00	7.50	5.25
Overnight	3.38	2.25	5.69	6.12	8.12	4.25
Three month	3.64	2.25	5.66	6.00	8.06	5.19
One year	4.68	2.59	5.25	5.81	8.06	5.60
Five year	6.46	3.51	5.55	6.02	8.85	7.19
Ten year	6.98	3.94	6.39	6.55	8.91	7.63

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	105-12	104-27	-0-19	105-15	104-14	380,243	409,449
Sep	104-14	103-29	-0-19	104-15	103-14	3,095	43,113
Dec	103-21	103-07	-0-19	103-21	102-26	1,101	30,600

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Exch 13½pc 1994	100	----	1,100	Ap27 Oc27	21.3	1267
Treas. 10pc Ln. 1994‡‡	100⅔	-.1	1,900	Ja9 De9	2.11	1284
Exch 12½pc 1994	102⅔	-.2	1,240	Fe22 Au22	17.1	1283
Treas 9pc 1994‡‡	102⅛	-.1	1,900	My17 Nv17	11.10	1345
12pc 1995	105⅛	-.1	2,350	Ja25 Jy25	20.12	1294
Exch 3pc Gas 90-95	97⅔xd	0.1	214	My1 Nv1	25.3	1271
10¼pc 1995	105⅛	----	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡	110⅝xd	-.1	840	My15 Nv15	8.4	1298
14pc 1996	113¾	-.1	770	Ja22 Jy22	16.12	1305
15¼pc 1996‡‡	117¼xd	-.1	1,150	My3 Nv3	28.3	1309
Exch 13¼pc 1996‡‡	113⅞xd	-.1	800	My15 Nv15	8.4	1268
Conversion 10pc 1996	108⅛xd	0.1	3,409	My15 Nv15	8.4	1240
Treas 13¼pc 1997‡‡	117¾	----	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997	108⅔	0.1	3,700	Fe21 Au21	17.1	1253
Treas 8¾pc 1997‡‡	105⅔	0.1	5,550	Mr1 Se1	24.1	1341
Exch 15pc 1997	124¼xd	-.2	830	Ap27 Oc27	21.3	1269
9¾pc 1998	108⅝	-.2	3,550	Ja19 Jy19	13.12	1273
Treas 7¼pc 1998‡‡	100⅔	-.2	7,850	Mr30 Se30	21.2	-
Treas 6¾pc 1995-98‡‡	99⅞xd	-.2	1,200	My1 Nv1	25.3	1331
14pc '96-1	122⅔	-.5	970	My22 Nv22	18.10	1306
Treas 15½pc '98‡‡	130⅔	-.4	935	Mr30 Se30	21.2	1308
Exch 12pc 1998	117⅞	-.4	3,909	My20 Nv20	14.10	1259
Treas 9½pc 1999‡‡	108⅜	-.5	1,900	Ja15 Jy15	9.12	1347
Five to Fifteen Years						
Exch 12¼pc 1999	118⅞	-.6	3,050	Mr26 Se26	17.2	1264
Treas 10½pc 1999	112⅞	-.7	1,252	My19 Nv19	13.10	1288
Treas 6pc 1999 ‡‡	94⅞	-.5	3,900	Fe10 Au10	4.1	-
Conversion 10¼pc 1999	112⅞	-.6	1,799	My22 Nv22	18.10	1242
9pc 2000‡‡	107⅞	-.5	5,358	Mr3 Se3	25.1	1244
Treas 13pc 2000	125⅔	-.6	3,171	Ja14 Jy14	8.12	1298
10pc 2001	111⅔	-.8	4,406	Fe26 Au26	20.1	1280
7pc '01 ‡‡	96⅔xd	-.8	3,250	My6 Nv6	30.3	-
7pc '01 A	47⅛	-1.2	2,500	My6 Nv6		
9¾pc 2002	111⅔	-.8	6,527	Fe27 Au27	21.1	1349
8pc 2003‡‡	102⅜	-.8	7,800	Ja10 De10	3.11	-
10pc 2003	114⅛	-.8	2,503	Mr8 Se8	31.1	1281
Treas 11½pc 2001-4	118⅔	-.7	1,620	Mr19 Se19	10.2	1290
Funding 3½pc '99-4	76	-.4	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004	111⅔xd	-.8	3,412	Ap25 Oc25	21.3	1248
Treas 6¾pc 2004‡‡	93¾	-.8	3,250	My26 Nv26	-	-
6¾pc 2004 A	93¾	-.8	3,000	My26 Nv26	-	-
Conv 9½pc 2005	112¼xd	-.8	4,842	Ap18 Oc18	14.3	1247
Treas 12½pc 2003-5	128⅔	-.7	2,200	My21 Nv21	15.10	1295
7¾pc 2006‡‡	99⅞	-.9	3,900	Mr8 Se8	31.1	-
8pc 2002-6‡‡	101⅛	-.6	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7	122⅔	-.7	3,150	Ja22 Jy22	16.12	1293
Treas 8½pc 2007 ‡‡	105¼	-1.1	5,497	Ja16 Jy16	10.12	1339
13½pc '04-8	138⅛	-.8	1,250	Mr26 Se26	17.2	1301
Treas 9pc 2008 ‡‡	110⅞xd	-1.1	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years						
Treas 8pc 2009	101⅔	-1.5	3,100	Mr25 Se25	15.2	1336
Treas 6 1/4pc 2010	86⅛	-1.2	2,750	-	-	-
Conv 9pc Ln 2011 ‡‡	110⅔	-1.2	4,273	Ja12 Jy12	6.12	1245
Treas 9pc 2012‡‡	111⅛	-1.1	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡	79⅔	-2.1	1,000	Mr10 Se10	1.2	1330
Treas 8pc 2013‡‡	101⅔	-1.2	4,950	Mr27 Se27	18.2	-
7¾pc 2012-15‡‡	98⅔	-1.2	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡	109⅔	-1.3	6,950	Fe25 Au25	18.1	1982
Exch 12pc '13-'17	139⅛	-1.2	1,000	Je12 De12	5.11	1260
Undated						
Consols 4pc	49¼	-.9	358	Fe1 Au1	23.12	1239
War Loan 3½pc‡‡	44⅝	-1.9	1,909	Je1 De1	25.10	1352
Conv 3½pc '61 Aft.	59⅔	-1.3	119	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft.	36¼	-1.7	56	Ap5 Oc5	1.3	1324
Consols 2½pc	31	-2.0	275	5JaApJyOc	1.3	1238
Treas. 2½pc	30	-4.0	475	Ap1 Oc1	21.2	1315
Index-Linked (b)						
Treas. 2pc '94 (102.9)	137⅞	0.1	500	My16 Nv16	11.10	5070
2pc '96 (67.9)	198⅞	-.1	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡ (135.6)	107⅜xd	-.8	800	Ap27 Oc27	21.3	-
2½pc '01 (78.3)	168⅞	-.6	1,500	Mr24 Se24	15.2	1316
2½pc '03 (78.8)	165⅞	-.5	1,050	My20 Nv20	14.10	1317
4⅜pc '04‡‡ (135.6)	112xd	-.8	850	Ap21 Oc21	14.9	-
2pc '06 (69.5)	173¼	-.6	1,550	Ja19 Jy19	13.12	1314
2½pc '09 (78.8)	156⅔	-.8	1,550	My20 Nv20	14.10	1318
2½pc '11 (74.6)	162⅝	-.8	1,800	Fe23 Au23	17.1	1319
2½pc '13 (89.2)	133⅞	-.9	2,300	Fe16 Au16	10.1	1320
2½pc '16 (81.6)	142¾	-1.0	2,400	Ja26 Jy26	20.12	1321
2½pc '20 (83.0)	137¼xd	-1.1	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡ (97.7)	114⅔	-1.3	1,900	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡ (135.1)	114¼	-1.4	1,300	Ja16 Jy22	16.12	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1993: 140.7 and for February 1994: 142.1.

Other Fixed Interest

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	126⅞	-1.1	50	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009	117⅔	-1.2	100	Mr24 Se24	3'93	-
B'ham 11½pc 2012	126	1.6	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	104⅛	-.5	303	Ap1 Oc1	-	1465
9pc Cap 1996	100½	-.5	725	Ja30 Jy30	-	-
13pc '97-2	111	-.4	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	150⅔	-1.0	40	My31 Nv30	27.10	-
Leeds 13½pc 2006	135½	0.7	40	Ap1 Oc1	3'93	3148
Liverpool 3½pc Irred.	39	15.6	5	1JaApJeOc	1.6	-
LCC 3pc '20 Aft.	34	20.4	26	1MrJeSeDe	1.8	-
Manchester 11½pc 2007	122	1.2	6	Ap25 Oc25	3'93	3275
Met. Wtr. 3pc 'B'	70	-.7	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	137¼	0.4	60	Ja30 Jy30	1'93	3465
4⅛pc IL 2024	132¼	0.4	50	-	20.7	-
Utd Mer States 10½pc 2006	142⅞	-.3	50	Mr1 Se1	27.8	-

● 'Tap' stock. †† Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Sara Webb

Bond-dumping rears its head

In the notoriously cut-throat world of Eurobonds, the recent difficult market conditions have brought to light one of the nastier syndicate practices – bond-dumping.

Last week, Goldman Sachs brought a $1.5bn floating-rate note for the Republic of Finland. Rival syndicate houses gave the deal the thumbs down, saying it was too aggressively priced, especially as there was already plenty of left-over floating-rate paper sloshing around the market.

When the deal broke syndicate on Thursday, Goldman said it had managed to sell its portion of the deal to investors in the Far East and Europe, but admitted it had had to buy back some $400m of the bonds that had been dumped by other members of the syndicate.

Its rivals in the Eurobond business pointed out that Goldman could find it was sitting on a large pile of unsold bonds.

The case above, like many of the deals launched in the first quarter, has helped to focus Eurobond specialists' minds on two points – the trend towards increasingly aggressive pricing, and the faults which have emerged in the current system of selling and distributing bonds.

Many syndicate officials complain that international bond issues tend to be brought at far too aggressive a price. This is often a reflection of the highly competitive bidding process that takes place between banks to win the mandate for the deal.

And as borrowers are usually driven by their bottom line when they award the mandate, they have a tendency to choose the house which comes up with the most aggressive pricing.

The consequences of this are especially obvious when the market is facing difficult conditions, as they are now.

Investors are clearly nervous and in many cases appear to be adopting a "wait-and-see" attitude, rather than regarding particular new issues as a "must-buy". As a result, deals are taking longer to place, and big chunks of the new issues launched in the first quarter of 1994 are still stuck firmly with the lead managers.

The second point being discussed more widely among syndicate managers concerns the way bonds are underwritten and sold. Many feel some syndicate members are not prepared to work for their fees, preferring to dump the bonds they have been allocated once the deal has broken syndicate, spoiling the deal and undermining investor confidence still further.

Enter CS First Boston, which is proposing that the system under which bonds are underwritten and sold should be amended. It is holding informal discussions with other houses and with IPMA (the International Primary Market Association).

The fixed price reoffer method of syndicating Eurobonds was introduced in 1989. Under this system, the lead firm sets the price at which the bonds can be traded (known as the fixed price reoffer).

Once it is satisfied most of the bonds have been placed with end investors, the bond issue is allowed to find a free market price. Borrowers expect the lead manager to support the bond price at the fixed price reoffer level: however, other participants in the deal do not feel obliged to do so.

"The co-managers in the transaction are confident of getting their allocation of bonds, and they know they will get their fees anyway, at which point everyone dumps bonds on the brokers and pockets the fees. There's no inclination among the syndicate to support the issue so the bond issue gets off to a bad start," points out one syndicate member at a UK house.

"We think the market has a problem: the fixed price reoffer system is excellent, but the trouble is that it has become so rigid it is open to abuse," says Mr Marcus Everard, head of debt capital markets at CS First Boston.

"The market has lost the distinction between underwriting and selling. In the worst-case scenario (in the current market set-up where the lead manager supports the transaction at the fixed price reoffer), where the co-manager and co-leads often are allotted securities equal to their underwriting commitment, they have little incentive to distribute them."

CS First Boston has suggested that one way around this problem would be to separate the underwriting and selling processes. The lead manager would invite other banks to underwrite the deal for a fee but would not guarantee to allot bonds to those houses. Instead, the underwriting banks would have to request the amount of paper they felt able to sell to investors.

Some Eurobond specialists think the new system would also be open to abuse, with lead managers hogging the bulk of the popular deals, and only allowing the other syndicate members to participate fully in the less desirable issues.

Mr Everard concedes this is a fair criticism, but stresses there would have to be "an element of reciprocity between the major participants" or it simply would not work – even though the Eurobond business is not known for its altruism. In other words, banks which failed to co-operate and only came in for a free ride would be "punished" next time around and squeezed out.

An alternative might be based on the method of book-building seen in the international equities field.

"It would be lovely to have that sort of exercise in the bond market and to some extent it already happens with World Bank issues where the deal is pre-marketed with an indicated pricing range," says one Eurobond specialist.

There are problems with this method though: the time taken to bring a deal can be very short as it may be determined by fleeting swap opportunities, or the perception of investor demand, so it might not be possible to spend days or hours conducting a book-building exercise.

Bond specialists point out the debate is still in its early stages. However, many feel the trend will have to be towards better distribution skills.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Tele 2000(a)§	40	Apr.1997	9.75‡	100.00	-	-	Bankers Trust Intl.
Republic of Finland(e)‡	1.5bn	May.1999	(f)	99.68R	-	-	Goldman Sachs Intl
Thermo Electron Corp.(i)§	300	Apr.2001	5.00#	100.00	-	-	Lehman Brothers Intl.
D-MARKS							
Commerzbank O'seas Finance	500	Apr.1999	6.00	101.90	5.554	-	Commerzbank
YEN							
Merrill Lynch & Co.(b)	40bn	Jul.1997	3.50	100.15	-	-	Merrill Lynch Intl.
Honda Intl. Finance(b)	10bn	Jul 1996	3.10	100.46R	-	-	Merrill Lynch Intl.
STERLING							
Tate & Lyle Intl. Finance(h)	100	Oct.1999	8.00	99.83R	8.057	+80 (6%-99)	Hoare Govett/ UBS
Northern Rock B/S(i)‡	100	Apr.1998	(k)	99.81R	-	-	Kleinwort/ SG Warburg
Gracechurch Mtg.Fin.No.2(m)‡	270	Dec.2028	(b,n)	100.00R	-	-	BZW
FRENCH FRANCS							
Province of Quebec	5bn	Apr.2004	6.875	98.63R	7.071	+65 (5½%-04)	Merrill Lynch/ Soc.Gen.
SNCF	500	Jun.2004	zero	50.687R	6.910	+12 (o)	JP Morgan & Cie.
ITALIAN LIRE							
International Finance Crp.(c)	150bn	May.2004	8.625	100.80	-	-	BNL
General Electric Cap.Crp.(d)	100bn	Feb.1999	7.375	97.325	8.058	-	JP Morgan Securities
Kingdom of Sweden(g)	150bn	May.2004	9.125	100.55	-	-	BCI
Bayerische Vereinsbank(h)	100bn	Feb.2004	7.90	95.55	8.582	-	Credito Italiano
WestLB Europe	150bn	May 1999	8.50	101.50	8.123	-	Banca di Roma

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
CANADIAN DOLLARS							
General Electric Capital Corp.	100	May.1999	8.00	99.443R	8.140	+30 (5¾%-99)	ScotiaMcLeod
Bayerische Landesbank	100	May.2004	8.50	99.249R	8.615	+35 (6½%-04)	ScotiaMcLeod
Norwest Financial Canada(c)	75	May.1999	8.50	98.675R	8.839	+79 (7¾%-99)	Wood Gundy
AUSTRALIAN DOLLARS							
Export Finance & Ins. Corp.	75	May.1997	7.25	100.75	6.964	-	Hambros Bank
DRACHMAS							
International Finance Corp.	10bn	May.1999	15.25	100.875	14.99	-	UBS
SWISS FRANCS							
Winterthur Finance(l)♦	300	Apr 1999	2.25	100.00	-	-	UBS
ABB International Finance	150	May.2000	4.50	102.375	4.045	-	Credit Suisse
Aegon★	100	May.1998	4.50	102.00	3.950	-	Swiss Bank Corp.
Commerzbank O'seas Finance	150	May 1999	4.50	102.375	3.967	-	Swiss Bank Corp.
Bank for Dutch Municipalities	100	May.1998	4.375	102.20	3.772	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ♦With equity warrants. ★Unlisted or private placement. #Semi-annual coupon and yield. R: fixed re-offer price. a) Convertible from Apr.95 - Apr.97 into ADR's at $3.68. b) Short 1st coupon. c) Long 1st coupon. d) Fungible with outstanding L250bn. Plus 78 days accrued. e) Callable on any coupon date from May.95 at par. f) 3-mth Libid flat. g) Callable on 5/5/97 and annually thereafter at par. h) Fungible with outstanding L250bn. Plus 75 days accrued. i) Conversion price: $47¼. Callable from 15/4/97 at 102% falling 1%pa to par. j) Callable on any coupon date from Apr.98 at par. k) 3-mth Libor +⅛%. l) Denoms: SFr5000 +55 wnts. Exercise period: 1/7/94 - 28/2/98. 10 wnts to 1 registered share at SFr720. m) Class A. Average life: 3½ yrs. Callable on any coupon date from Mar.01 at par. Class B: £11.6m, terms undisclosed. n) 3-mth Libor +¼% to Mar.01 and +0.7% thereafter. o) Over interpolated strip OAT's. Note: Yields are calculated on ISMA basis.

هكذا من الاصل

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Brokers look for calmer conditions

After Friday's bumpy ride, the fragile peace that Wall Street enjoyed in the middle of last week should return this morning, but the beginning of the corporate results season could bring fresh complications.

At least one market strategist is brimming with confidence. Late last week, Ms Gail Dudack at S.G. Warburg went out on a limb by predicting that Tuesday's 82-point rally would go down as the end of the correction phase for equities.

"The panic selling which characterised markets [around the Easter holiday]... reversed on Tuesday in a classic bottoming pattern," says Ms Dudack. She points out that 89 per cent of that session's volume was in advancing issues, after a long sequence in which declines represented 85 per cent of the activity.

Her counterparts are generally more circumspect, however. Most analysts believe the underlying tensions of recent weeks are still lurking just below the surface. Their presence was felt painfully on Friday, when a lazy session was jolted to life by sell programs activated in the early afternoon by a gradual erosion in bonds.

While generally confident that the worst of the volatility is over, analysts warn of the possibility of a reprise in coming sessions. "I see the market struggling upward in the short term," says Mr Alfred Goldman, technical analyst at A.G. Edwards in St Louis. Although stocks have moved past their "peak downside intensity", he believes there is still a chance of a milder re-run of the Easter action.

Mr Hugh Johnson, chief investment strategist at First Albany, says there are two reasons to expect smooth conditions this week. First, investors are exhausted from the events of the past fortnight. Second, it is unlikely that this week's producer and consumer price indices will produce any surprises. Even if they do, the Federal Reserve is looking more closely at leading indicators, such as commodity and industrial material prices, rather than readings of current inflation such as the PPI and CPI.

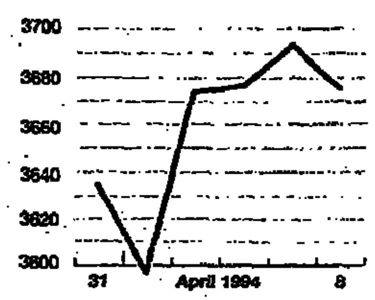
The flood of results which will begin to trickle in to Wall Street this week is likely to produce a few surprises, but with expectations running high, the net impact on stocks could be negative.

"Unless earnings come in unexpected either way, they may not have any effect," says Mr Paul Stanton, head of over-the-counter trading at Johnson Lemon. He says strong earnings projections are already priced into the market and that disappointments could present a genuine threat to share valuations.

However, speculation over the timing of the Federal Reserve's third tightening of monetary policy will continue to dominate.

Action by the Fed seems almost inevitable to many observers, such as Mr Bill Dodge at Dean Witter Reynolds in New York. In the run-up, he sees stocks taking more knocks, although he draws some encouragement from last week's rally. "It at least showed that the downside can be contained," he says.

Dow Jones Industrial Average



Source. FT Graphite

LONDON — Terry Byland

Pundits split over second quarter start

Whatever deeper economic fundamentals may still overshadow UK stocks, one significant feature of the market background has shifted. The UK tax-year deadline has come and gone, and with it the close of a painful 1994 first-quarter performance by UK equities. Fund managers have presumably taken the pain, cleared the decks, and must now decide whether to follow the bulls or the bears.

The second quarter opens with investors clearly uncertain and market strategists sharply divided in their views. The bears would argue that the stock market did well to survive the Easter weekend without something like a repetition of autumn 1987. Even without such alarms, the market ended the first quarter some 12 per cent below its peak and the problems which brought that setback – rekindled inflation worries and a tightening credit regime at the US Federal Reserve – are still with us.

For the near term, there are signs that the European markets, having become bored with minor adjustments to repo rates, are looking keenly for a significant cut in rates in Germany when the Bundesbank meets on Thursday. But analysts suggest the UK market may now concentrate on its own concerns.

There is general, if reluctant, agreement that UK base rates are likely to be cut as consumers face up to the £8bn or so tax increases to be implemented this month. Mr Nicholas Knight, at Nomura Securities, believes investors may see this as a signal to sell equities, since it will imply harsher treatment in the second half of the year. His forecast of a Footsie at 2,800 in the near future has not been forgotten by the stock market.

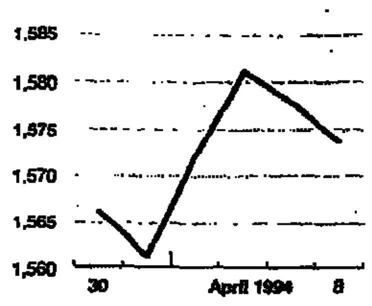
But there is a case for the bulls. The strongest factor for equity optimism is that dividend yields on equities are rising steeply, and have already taken the yield relative to bonds below its 10-year average. Strauss Turnbull puts the prospective yield on equities at 4.1 per cent, based on forecast dividend growth of about 10 per cent. This is the aggregate dividend rise so far this year.

The dividend argument is particularly significant for the water companies The sector has underperformed by about 10 per cent since the turn of the year, partly because impending regulatory developments have inhibited investors and because rising gilt yields have reduced the attractions of utilities.

BZW and Kleinwort Benson agree that Ofwat's pricing review, not due until July, will continue to cast a shadow. But BZW predicts a major revaluation of the sector, pointing out that regulatory risk will at least be reduced dramatically after July. Kleinwort believes the sector will turn in higher profits and dividend growth of around 8 per cent, albeit at the cost of dividend cover.

At least part of the potential upside could arrive soon, according to BZW, which discounts any further threat from gilts in the near term. The firm focuses on water companies offering the significant dividend growth which will be associated with equally significant cost-cutting programmes.

FT-SE-A All-Share index



Source: FT Graphite

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month: High		Low		1994: High		Low	
FT-SE 100	3,120.80	+1.1	+10.6	-8.7	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,086.40	31/3/94
Dow Jones Ind	[illegible]	[illegible]	+8.2	-2.1	3,978.36	31/1/94	3,396.48	8/4/93	3,978.36	31/1/94	3,593.35	4/4/94
Nikkei	[illegible]	[illegible]	[illegible]	+14.5	21,148.11	13/9/93	16,078.71	29/11/93	20,677.77	16/3/94	17,369.74	4/1/94
DAX	[illegible]	[illegible]	[illegible]	-2.3	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,020.33	2/3/94
CAC 40	[illegible]	[illegible]	+6.4	[illegible]	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,081.94	31/3/94
[illegible]	[illegible]	[illegible]	[illegible]	+22.1	756.68	8/4/94	508.01	16/6/93	756.63	8/4/94	588.85	10/1/94

Closing prices as of 31/3/94; weekly changes 31/3/94 over 25/3/94. Source: FT Graphite

OTHER MARKETS

TOKYO

Investors succeeded in absorbing Prime Minister Morihiro Hosokawa's unexpected resignation announcement quickly last Friday but uncertainty over the political situation could weigh on share prices this week. The main focus for the stock market will be the passage of the 1994 budget, which has been stalled by the opposition parties.

FRANKFURT

The Bundesbank meets for the first time in four weeks on Thursday. James Capel notes that the repo rate has fallen by 15 basis points from 5.88 per cent since the last meeting. The broker says there is an outside chance of a cut in the key discount rate at this week's meeting, although it expects the more likely date for the next reduction is April 28.

MILAN

The Italian president makes known on Friday who will be the country's prime minister. NatWest Securities says that while Mr Silvio Berlusconi is widely expected to be asked to form a government, the brinkmanship and politicking seen at the end of last week will continue.

However, this background should not detract from the momentum that is driving equities, bonds and the lira.

PARIS

Michelin, the tyre manufacturer, reports on Wednesday and the consensus estimate is for a full-year loss of FFr3.2bn as a result of the downturn in the European automobile industry and exceptional charges relating to its restructuring. Accor, the hotel and tourism group, also reporting on Wednesday, is expected to announce a fall in net income of about 25 per cent, depending on exceptional items.

COPENHAGEN

Today sees the first day of trading in Copenhagen Airport shares, and it is also the first day of subscription for Tele Danmark for domestic, non-institutional investors.

STOCKHOLM

The equity market is expected to continue last week's strong run. UBS says news that foreign investors were net buyers of SKr8.3bn of equities during February, a time when the market was falling, suggests domestic institutions have already built up substantial reserves of liquidity in advance of the hefty new issue programme.

RISK & REWARD

Switch to bearish stance may lift hedge funds

As the US House banking committee begins its hearings on hedge funds this week, and the first US banks report their first-quarter results, attention will again be drawn to the heavy losses incurred by fund managers and market participants during the recent sharp price declines in many of the world's financial markets.

However, the worst of those losses may be over, as many traders have managed to reverse their positions to take account of the switch from bullish to bearish conditions.

During the first wave of price falls in February, the main sellers were hedge funds (which were forced to liquidate positions, largely in bond markets, because of their high degree of leverage) and proprietary traders (dealers at banks and securities houses taking positions with their institution's own capital).

Many mainstream institutional fund managers held their fire during this initial period, convinced there had been no change in economic fundamentals.

However, in March many institutions were forced to reassess this view.

Many fund managers appear to have sold futures to hedge their long positions in bonds, creating record trading volume on futures exchanges in the first quarter.

"Hedge funds have probably got out of about 80 per cent of their positions and indeed have gone the other way," said one fund manager.

As a result, he believes "there is still some cash selling to come, but it will be against buying in futures".

The theory that many fund managers have at least gone some way to reversing bull market positions held at the start of the year is backed up by better performance figures for March.

The Managed Account Reports (MAR) trading adviser index showed a decline of just 0.01 per cent in March, with just over half of the advisers showing a positive return, to give a first-quarter fall of 5.19 per cent. According to Ms Lois Pelz, managing editor of MAR, "the traders who were able to realise a profit [in March] took short positions on financials and the dollar".

TASS Management, which also tracks futures funds, found a range for March of plus 20 per cent to minus 15 per cent among the top 50 managers – which leaves them down around 5 per cent for the year to date.

Of the two hundred-plus hedge funds tracked by TASS, the average decline for the year to date is around 7 per cent. "In February and March people were reducing leverage. Those who did well [in March] did it in bonds, by flipping round positions," according to Ms Nicola Meaden of TASS.

Nevertheless, there is little sign that any of this has helped restore confidence. One reason is the shock waves caused by the collapse of three hedge funds managed by Mr David Askin, with total equity of $600m, mainly invested in mortgage-backed securities.

One reason for the concern generated by the funds' collapse is that they were supposed to be risk averse. In addition, there appear to have been difficulties in valuing the rather illiquid instruments held by the funds.

"They were supposed to have a market neutral strategy, which means you try to hedge out volatility. A lot of banks are re-evaluating relationships with other hedge funds as a result," said one hedge fund specialist.

Meanwhile, for those fund managers and traders who have created short positions in the bond market, the next fear is the markets will now start to rally strongly, forcing them to buy back into the markets at a higher level, thus incurring further losses.

Tracy Corrigan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 8 / Sch)

BELGIUM/LUXEMBOURG (Apr 8 / Frs.)

DENMARK (Apr 8 / Kr)

FINLAND (Apr 8 / Mks)

FRANCE (Apr 8 / Frs.)

GERMANY (Apr 8 / Dm.)

ITALY (Apr 8 / Lire)

NETHERLANDS (Apr 8 / Fls.)

NORWAY (Apr 8 / Kroner)

SPAIN (Apr 8 / Pts.)

SWEDEN (Apr 8 / Kroner)

SWITZERLAND (Apr 8 / Frs.)

PACIFIC

JAPAN (Apr 8 / Yen)

AUSTRALIA (Apr 8 / Aust$)

HONG KONG (Apr 8 / H.K.$)

MALAYSIA (Apr 8 / MYR)

SINGAPORE (Apr 8 / S$)

NORTH AMERICA

CANADA

TORONTO (Apr 8 / Can $) 4 pm close

MONTREAL (Apr 8 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 8 / Rand)

Prices supplied by Telekurs

■ TOKYO - MOST ACTIVE STOCKS: Friday, April 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Coal	9.3m	366	-18	Kawasaki Steel	7.1m	368	+3
Ricoh	8.9m	868	+12	Hitachi	6.6m	954	+14
Teijin	8.2m	532	+14	Honshu Paper	6.2m	795	+10
M'bishi Rayon	7.7m	407	+13	Mitsui Toatsu	5.8m	401	+26
Nippon Steel	7.1m	353	+13	Denki Kagaku Kgy	5.5m	389	+15

INDICES

	Apr 8	Apr 7	Apr 6	1994 High		1994 Low	
Argentina							
General (29/12/77)	19046.05	19237.86	18914.72	25470.40	16/2	17832.92	4/4
Australia							
All Ordinaries(1/1/80)	2082.0	2087.4	2084.1	2340.80	3/2	2060.00	5/4
All Mining(1/1/80)	998.0	1005.1	1007.1	1136.10	3/2	988.70	4/3
Austria							
Credit Aktien(30/12/84)	434.22	433.12	432.12	460.66	2/2	429.00	5/4
Traded Index(2/1/91)	1136.46	1129.36	1123.61	1222.25	1/2	1113.57	5/4
Belgium							
BEL20 (1/1/91)	1481.74	1489.13	1468.08	1542.65	9/2	1462.76	30/3
Brazil							
Bovespa (29/12/83)	15374.0	14749.0	14355.0	15374.00	8/4	3800.90	3/1
Canada							
Metals Minls♦(1975)	3622.16	3680.80	3662.49	3879.59	18/3	3523.53	21/2
Composite♦ (1975)	4327.40	4339.10	4313.30	4608.90	23/3	4230.10	4/4
Portfolio§§ (4/1/83)	2006.88	2013.35	2000.41	2182.89	1/2	1973.56	4/4
Chile							
IPGA Gen (31/12/80)	4097.4	4093.9	4029.0	4867.80	4/2	3901.20	4/4
Denmark							
CopenhagenSE(3/1/83)	383.66	385.67	387.42	415.79	2/2	370.74	3/1
Finland							
HEX General(28/12/90)	1808.5	1785.0	1778.7	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1432.84	1435.57	1442.15	1585.20	2/2	1418.37	30/3
CAC 40(31/12/87)	2114.77	2119.57	2128.22	2355.93	2/2	2081.94	31/3
Germany							
FAZ Aktien(31/12/58)	839.23	832.61	828.02	855.87	4/1	776.33	2/3
Commerzbank(1/12/53)	2397.5	2380.2	2367.1	2458.00	4/1	2221.20	2/3
DAX (30/12/87)‡	2203.34	2201.41	2191.20	2267.98	3/1	2028.33	2/3
Greece							
Athens SE(31/12/80)	995.44	989.53	1000.77	1194.58	18/1	989.53	7/4
Hong Kong							
Hang Seng(31/7/64)	9298.22	9285.82	9234.31	12201.09	4/1	8887.83	21/3
India							
BSE Sens.(1979)	3878.5	3835.8	3842.3	4287.90	28/2	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	463.43	467.98	473.97	612.88	5/1	463.43	8/4
Ireland							
ISEQ Overall(4/1/88)	1824.23	1826.65	1824.98	2082.16	20/1	1801.05	5/4
Italy							
Banca Comm Ital (1972)	756.63	746.38	732.52	756.63	8/4	588.85	10/1
MIB General (4/1/94)	1212.0	1194.0	1170.0	1212.00	8/4	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19934.99	19890.98	19696.74	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	296.41	295.54	292.98	304.25	1/3	268.22	4/1
Topix (4/1/68)	1613.30	1613.19	1600.41	1653.27	16/3	1445.97	4/1
2nd Section (4/1/68)	2235.42	2244.99	2236.25	2244.99	7/4	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	961.95	966.18	964.51	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2273.33	2260.52	2881.17	8/2	2234.15	5/4
Netherland							
CBS TtlRtnGen(End 83)	431.1	427.1	425.6	454.90	31/1	417.40	5/4
CBS All Shr (End 83)	279.3	276.7	275.8	294.80	31/1	268.00	31/3
New Zealand							
Cap. 40 (1/7/86)	2131.87	2116.87	2122.65	2438.64	3/2	2049.17	5/4
Norway							
Oslo SE(Ind)(2/1/83)	1122.62	1119.12	1129.03	1271.10	28/2	1072.67	3/1
Philippines							
Manila Comp (2/1/85)	2639.47	2634.39†	2680.34	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	3092.1	3087.4	3093.4	3228.60	18/2	2619.90	3/1
Singapore							
SES All-S'pore(2/4/75)	538.75	535.76	540.25	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	1951.0♥	1913.0	(c)	2331.00	4/1	1749.80	14/2
JSE Indl. (28/9/78)	5734.0♥	5618.0	(c)	6140.00	18/3	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	872.53	863.36	863.04	974.28	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	325.58	322.51	322.16	358.31	31/1	310.18	4/4
Sweden							
AffarsvardnGen (1/2/37)	1476.6	1474.1	1468.4	1603.90	31/1	1403.80	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1343.91	1341.93	1336.87	1423.34	31/1	1280.84	2/3
SBC General (1/4/87)	1006.19	1002.10	993.08	1093.29	31/1	973.35	2/3
Taiwan							
WeightedPr.(30/6/66)**	5528.47	5475.68	5481.88	6454.52	6/1	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1224.0	1224.74	(c)	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	20034.0	18610.7	18659.1	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	605.4*	605.4	602.5	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1461.08	1457.70	1446.03	1540.19	31/1	1393.60	2/3
Euro Top-100 (26/6/90)	1255.09	1249.78	1239.29	1311.81	2/2	1202.49	2/3
JCapelDrgns (31/12/88)	(u)	306.30	305.29	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	151.32	149.94	149.15	182.72	14/2	147.35	5/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2134.0	2119.0	-12.0	2140.0	2114.0	19,582	26,599
May	2135.0	2120.0	-12.0	2137.5	2116.5	190	8,983
Jun	2119.0	2103.0	-12.0	2119.0	2099.0	695	21,482

Open interest figures for previous day.

** Sat Apr 2 : Taiwan Weighted Price 5420.86; Korea Comp Ex 856.37. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 8 - 2203.18 +0.61

US INDICES

Dow Jones	Apr 8	Apr 7	Apr 6	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3674.26	3693.26	3679.73	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	(u)	99.84	99.91	105.61 (21/1)	99.77 (4/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1637.39	1653.73	1651.06	1862.29 (2/2)	1606.94 (4/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.63	196.81	196.08	227.06 (3/1)	192.89 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3717.15 (3712.83) Low 3644.03 (3642.59) (Theoretical♦)
Day's high 3701.03 (3696.71) Low 3655.25 (3658.13) (Actual♦)

Standard and Poors	Apr 8	Apr 7	Apr 6	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	447.10	450.88	448.05	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	522.66	527.30	524.03	560.58 (2/2)	513.34 (4/4)	560.58 (2/2/94)	3.62 (21/6/32)
Financial♥	43.18	43.16	42.89	46.58 (31/1)	41.39 (4/4)	48.40 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	248.29	250.22	248.66	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	441.21	441.76	440.98	487.89 (2/2)	434.13 (4/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	746.71	755.17	750.72	803.93 (18/3)	727.41 (4/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Mar 31	Mar 25	Mar 18	Year ago
Dow Jones Ind. Div. Yield	2.81	2.70	2.62	3.04
	Apr 6	Mar 30	Mar 23	Year ago
S & P Ind. Div. yield	2.48	2.51	2.39	2.49
S & P Ind. P/E ratio	23.87	23.55	24.83	26.13

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Close	Change	High	Low	Est. vol.	Open Int.
Jun	450.60	447.25	-3.25	450.95	448.75	71,775	184,280
Sep	450.90	449.10	-3.30	451.00	450.80	494	6,811
Dec	453.20	451.15	-3.45	453.20	453.20	421	5,305

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pacific Tel.	4,011,300	22¾	+2¼
Chrysler	3,604,300	51	-2¾
Airtouch	3,417,100	21⅛	+¼
Gen Motors	3,087,800	57¼	-2⅝
Telefonos	3,067,700	58⅛	-1⅛
Amer Express	2,966,100	29⅜	+1⅛
Woolworth	2,779,100	15	+⅛
Merck	2,340,900	30	+¼
Nationsbank	2,333,400	49⅞	+1⅝
Philip Morris	2,289,500	49¼	-1⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 8	Apr 7	Apr 6
New York SE	257.465	281.320	300.789
Amex	14.345	16.289	16.404
NASDAQ	(u)	284.688	293.824
NYSE			
Issues Traded	2,791	2,772	2,799
Rises	802	1,363	1,271
Falls	1,388	758	950
Unchanged	601	651	578
New Highs	24	32	19
New Lows	78	58	80

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

هكذا من الاصل

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Scottish Amicable

Standard Life Assurance Company

Windsor Life Assur Co Ltd - Contd.

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Sun Alliance Group

Providence Capital International Ltd - Contd.

Royal Life Intl. Ltd

Fidelity Money Funds - Contd.

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Bellinvest Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Scottish Value Management (Ireland) Ltd (u)

Singer & Friedlander Inv Funds Ltd (u)

Appleton Financial Advisors Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

IBI Managers (IoM) Ltd

OFFSHORE INSURANCES

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

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ISLE OF MAN (REGULATED)(**)

GUERNSEY (REGULATED)(**)

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INVESCO International Limited - Contd.

	Bid Price	Offer Price	Yield Gross	City-Line
Apollo Fd Apr 6	SFr108.5	114.32	–	45473

*Weekly Dealing. †Fortnightly Dlng. **Monthly Dlng.

Jupiter Tyndall (Jersey) Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Gilt Fd	119.1	125.2	2.00	45692
(Accum Shares)	798.7	838.8	2.00	45693
Managed Currency Stg	122	129	–	45694
International	479	503	0.24	45695

Lloyds Bank Trust Co (CI) Mngrs

	Bid Price	Offer Price	Yield Gross	City-Line
Lloydstrust Wide Inv Port	$3.069	3.298	–	49185

Dealing Weekly on Thursday

Lombard Odier (Jersey) Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Class A (US$ Multi)	$33.12		–	49167
Class B (US$ Med)	$25.03		–	49168
Class C (US$ Long)	$20.36		–	49169
Class D (Japan)	Y4949		–	49170
Class E (U.K.)	£27.64		–	49171
Class F (DM)	DM18.09		–	49172
Class G (DFL)	Dfl18.98		–	49173
Class H (Europe) High Yield	Ecu16.79		–	49174
Class J (SFR)	SFr13.62		–	49175
Class K (US$ Short)	$12.81		–	49176
Class M (SFR Multi)	SFr17.17		–	49178
Class N (ECU)	Ecu22.69		–	49179
Class P (BFR)	BFr139.07		–	49180
Class R (Conv.)	$15.16		–	49181
Class S (FFR)	FFr163.01		–	49182
Class V (SFR Short)	SFr105.33		–	49184
Class X (C$)	C$13.84		–	49185
Class Y (DFl Multi)	Dfl15.67		–	49186
Class 2B (Mediterranean)	11.22		–	49189
Class 2B (Conv)	SFr10.19		–	52231
Class L (Europe) High Yield	Ecu11.91		–	49177
Class T (SFR Multi)	SFr10.28		–	49183
Class Z (SFR)	SFr11.01		–	49187
Class 27	12.06		–	49188
Pacific Dynasty	$18.28		–	53179

Dolphin Intl Investments (u) SICAV

14 rue Aldringen, L-1118 Luxembourg 0534 27391

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Conti Capital Builder		£–	1.3247		–	4922
Intl Growth & Income		$–	5.0675		–	4923
International Bond		$–	6.2800		–	4924

Dresdnerbank Asset Mngmt SA (u)

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
DR-Lux Bondspezial (Inc)		DM–	75.84	77.91	–	4788
DR-Lux Bondspezial (Gth)		DM–	89.96	92.06	–	4525

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 010 352 4048481

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Establishment 7st Apr 1		$–	2.33	–	–	4547

Eagle Star – Global Assets Fund (u)

5 Rue Aldringen L-1118 Luxembourg

Dealing UK: 0624 661100 Europe: 010 352 471784

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
UK Equity		£–	1.611	1.712	3.30	4795
Nth Am Equity		£–	1.778	1.890	2.00	4796
Japanese Equity		£–	0.808	0.852	0.90	4797
Pacific Basin Equity		£–	2.361	2.509	2.60	4798
European Equity		£–	1.730	1.838	2.25	4799
Sterling Bond		£–	1.034	1.099	6.50	4780
US Dollar Bond		£–	1.475	1.568	6.25	4781
Japanese Yen Bd		£–	1.326	1.409	3.75	4782
Deutschmark Bond		£–	1.201	1.277	6.50	4783
Stlg Liquid Assets		£–	0.933	0.990	5.00	4784
US$ Liquid Assets		£–	1.229	1.306	3.80	4785
Japan Yen Liquid Assets		£–	1.222	1.299	1.75	4786
D'mark Liquid Assets		£–	1.147	1.219	4.70	4787
Global Managed		£–	1.989	2.063	2.10	4825
European Bond		£–	1.886	1.600	7.00	4827

All funds are denominated in Ecu. Prices quoted are Sterling equivalent

Eigiston Global SICAV (u)

13 Rue Goethe, L-1637, Luxembourg 010 352 4048481

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Equity Portfolio		$–	1.980	2.105	–	4821
Reserve Portfolio		$–	1.996	2.117	–	4822

EquiFund–Wright National Eqty Fd (u) (x)

14 rue Aldringen, L-1118 Lux 010 352 4792584

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Australasian Nat Equity		A$–	15.01	16.16	–	4815
Austrian Nat Equity		Sch–	85.87	88.73	–	4744
Belgium/Lux Nat Eqty		BFr–	684.02	688.59	–	4908
French Nat Equity		FFr–	116.15	117.29	–	4775
German Nat Equity		DM–	17.56	17.74	–	4742
Dutch Nat Equity		Dfl–	25.79	26.05	–	4746
Italian Nat Equity		L–	19075.38	19267.1	–	4748
Japanese Nat Equity		Y–	1462.70	1486.2	–	4808

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الاصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

UK INTEREST RATES

LONDON MONEY RATES

Apr 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4 7/8 - 1	5 - 4 3/8	5 3/16 - 5	5 3/8 - 5 1/16	5 7/16 - 5 3/16	5 3/4 - 5 5/8
Sterling CDs	-	-	5 3/32 - 5 1/32	5 7/32 - 5 5/32	5 3/8 - 5 1/4	5 11/16 - 5 9/16
Treasury Bills	-	-	4 7/8 - 4 13/16	5 - 4 15/16	-	-
Bank Bills	-	-	4 31/32 - 4 7/8	5 - 4 15/16	5 1/8 - 5 1/16	-
Local authority deps.	4 7/8 - 4 7/8	4 15/16 - 4 13/16	5 1/8 - 5	5 3/16 - 5 1/16	5 7/16 - 5 3/16	5 7/16 - 6 7/16
Discount Market Deps	4 3/4 - 3 3/4	4 7/8 - 4 3/4	-	-	-	-

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc.
Ave. tender rate of discount 4.9125pc. ECGD fixed rate Stg. Export Finance. Make up day March 31, 1994. Agreed rate for period Apr 26, 1994 to May 24, 1994, Schemes II & III 6.47pc. Reference rate for period Mar 1, 1994 to Mar 31, 1994, Schemes IV & V 5.214pc. Finance House Base Rate 5 1/2pc from Apr 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 31	
Bills on offer	£200m	£200m
Total of applications	£929m	£868m
Total allocated	£200m	£200m
Min. accepted bid	98.775	98.770
Allotment at min. level	73%	74%

	Mar 31	Mar 25
Top accepted rate	4.9135%	4.9335%
Ave. rate of discount	4.9125%	4.9290%
Average yield	4.9734%	4.9903%
Offer at next tender	£200m	£200m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 23 in today's edition.

Pound in New York

Apr 8	— Close —	— Prev. close —
£ spot	1.4768	1.4730
1 mth	1.4750	1.4712

FIXED INTEREST RATES

MONEY RATES

April 8	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	-	6 1/8	6 1/8	6 1/8	6 1/8	7.40	5.00	-
week ago	-	6 1/8	6 3/16	6 3/16	6 1/4	7.40	5.00	-
France	6 3/16	6 3/16	6 1/8	1/16	5 15/16	5.90	-	7.75
week ago	6 1/8	6 3/16	6 3/16	6 1/16	6	5.90	-	7.75
Germany	5.78	5.75	5.65	5.55	5.40	6.75	5.25	5.73
week ago	5.50	5.75	5.70	5.60	5.43	6.75	5.25	5.76
Ireland	6	6 1/8	6 1/4	6 3/16	6 1/4	-	-	6.75
week ago	6 1/4	6 1/8	6 1/4	6 1/8	6 1/8	-	-	6.75
Italy	8 3/4	8 1/4	8 1/8	8 3/16	8 3/8	-	8.00	8.27
week ago	8 21/32	8 1/4	8 1/4	8 1/4	8 1/4	-	8.00	8.40
Netherlands	5.53	5.44	5.32	5.27	5.26	-	5.25	-
week ago	5.53	5.44	5.33	5.31	5.31	-	5.25	-
Switzerland	4 1/4	4 1/4	4 1/8	4 1/16	4 1/16	6.625	4.00	-
week ago	4 1/8	4 1/4	4 3/16	4 1/8	4 1/16	6.625	4.00	-
US	3 7/16	3 5/8	3 15/16	4 3/16	4 5/8	-	3.00	-
week ago	3 1/2	3 11/16	3 7/8	4 3/16	4 11/16	-	3.00	-
Japan	2 1/4	2 1/4	2 1/4	2 1/4	2 3/8	-	1.75	-
week ago	2 3/16	2 1/4	2 1/4	2 1/4	2 1/4	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	3 3/4	4	4 3/8	4 11/16	-	-	-
week ago	-	3 3/4	3 15/16	4 1/4	4 3/4	-	-	-
US Dollar CDs	-	3.56	3.84	4.15	4.74	-	-	-
week ago	-	3.56	3.85	4.00	4.49	-	-	-
SDR Linked Ds	-	3 3/4	3 3/4	3 3/4	4	-	-	-
week ago	-	3 3/4	3 3/4	3 3/4	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 5/16; 3 mths: 6 1/4; 6 mths: 6 1/4; 1 year: 6 1/4. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6
Danish Krone	5 3/4 - 5 1/2	6 3/8 - 6	6 1/4 - 6	6 1/4 - 6	6 1/4 - 6	6 1/8 - 5 7/8
D-Mark	6 - 5 7/8	5 7/8 - 5 3/4	5 13/16 - 5 11/16	5 11/16 - 5 9/16	5 9/16 - 5 7/16	5 7/16 - 5 5/16
Dutch Guilder	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5 7/16 - 5 5/16	5 9/16 - 5 3/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16
French Franc	6 3/16 - 6 1/16	6 3/16 - 6 1/16	6 1/8 - 6	6 1/8 - 6	6 1/16 - 5 15/16	6 1/16 - 5 15/16
Portuguese Esc.	10 1/4 - 10	22 - 15	20 - 15	14 - 12	12 1/2 - 10 1/2	11 1/2 - 9 1/2
Spanish Peseta	8 1/8 - 8 1/16	8 1/8 - 8 1/16	8 1/8 - 7 7/8	8 - 7 7/8	8 - 7 7/8	8 - 7 7/8
Sterling	5 - 4 7/8	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 3/8 - 5 1/4	5 7/16 - 5 3/8	5 3/4 - 5 11/16
Swiss Franc	4 3/8 - 4 1/8	4 3/8 - 4 1/8	4 1/4 - 4 1/8	4 3/16 - 4 1/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Can. Dollar	5 - 4 3/4	5 1/8 - 4 7/8	5 3/8 - 5 1/8	5 7/8 - 5 5/8	6 3/8 - 6 1/8	6 5/8 - 6 3/8
US Dollar	3 9/16 - 3 7/16	3 5/8 - 3 1/2	3 3/4 - 3 5/8	4 - 3 7/8	4 3/8 - 4 1/4	4 13/16 - 4 11/16
Italian Lira	9 - 7 1/2	8 1/4 - 7 3/4	8 1/4 - 7 3/4	8 1/4 - 7 3/4	8 1/4 - 7 7/8	8 3/8 - 8
Yen	2 3/16 - 2 1/8	2 1/4 - 2 7/32	2 9/32 - 2 7/32	2 5/16 - 2 1/4	2 3/8 - 2 5/16	2 9/16 - 2 1/2
Asian $Sing	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 1/2 - 2 1/2	4 - 3	4 - 3	4 1/4 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.58	95.52	-0.05	95.58	95.51	116,703	478,850
Sep	95.02	94.93	-0.08	95.02	94.91	102,716	374,257
Dec	94.45	94.34	-0.10	94.45	94.33	78,704	292,723

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.00	95.97	-0.03	96.00	95.96	2,586	41,222
Sep	95.52	95.47	-0.05	95.52	95.46	501	9,241
Dec	95.01	94.98	-0.06	95.02	94.97	691	4,352

All Open interest figs. are for previous day

BANK RETURN

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

STOCK INDICES

FT GOLD MINES INDEX

BASE LENDING RATES

LONDON RECENT ISSUES: EQUITIES

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Money Market Trust Funds

Money Market Bank Accounts

CONTRACTS & TENDERS

FIJI POSTS & TELECOMMUNICATIONS

GENERAL PROCUREMENT NOTICE

ATLANTIC COMPUTERS PLC (IN ADMINISTRATION) SCHEME OF ARRANGEMENT

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£22¾	-8	Q61%	ф	Sep May	1.9	1587
ANZ A$		235¾	5.0	Q28c	0.7	Jan Jul	9.12	-
Abbey National	N□	494xd	-3	14.0	2.1	May Oct	14.3	6411
Allied Irish I£	♣□	245xd	0.8	Q62%	ф	Oct May	28.2	1364
Anglo Irish I£	MN□	68	-1.8	Q17.9%	1.7	Jan Jul	29.11	1355
Asahi Y		709	1.6	Q16%	1.3	Jan Dec	12'92	3849
Banco Bil Viz Pta		£16¼	-.4	Q27.2%	2.7	JyOcJaAp	13.7	-
Banco Sant Pta		£31⅛	—	Q38.1%	2.0	ApJyOcJa	30.10	-
Bk Ireland I£	♣ux□	285	2.0	Q13¼%	1.5	Jul Dec	15.11	1360
Bank Scotland	♣†□	189	-2.1	4.67	1.6	Dec Jul	18.10	1742
9¼pc Pf		127½	-.8	9¼%	-	May Nov	18.10	1492
9¾pc Pf		134½	-.4	9¾%	-	May Nov	18.10	-
Barclays	N□	528xd	0.4	16.15	1.6	Oct May	14.3	1754
Dai Ichi Kan Y		£12⅜	4.9	Q18%	3.2	Jan Dec	27.9	3221
Deutsche DM		£319¾	-.1	Q30%	-	May	24.5	2345
Espirito Santo		£20¾	0.7	Q128c	5.2	Jan	4.6	6187
First Nat Fin	N□	70	-5.4	1.5	-	Mar	17.1	2571
6.3pc Cv Pf		85	—	6.3%	-	Jul Jan	4.1	2570
7pc Cv Pf		149	-2.0	7.0	-	Jul Jan	4.1	-
Fuji Bank Y		1489	4.9	Q17%	2.3	Dec Jun	4.7	-
HSBC HK	□	780xd	3.4	23.5	ф	Nov Jun	14.3	2798
HSBC (75p Shs)	□	780xd	2.8	23.5	ф	Nov Jun	14.3	2776
Lloyds	N□	562xd	0.5	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y		£18⅝	4.1	Q17%	2.3	Jun Dec	12'92	5290
Mits Tst & Bk Y		1025	7.5	Q16%	12.4	Jun Dec	12'92	4775
Mitsui Tst & Bk Y		754¼	7.5	Q17%	5.5	Jun Dec	12'92	5386
Nat Aust A$		579½	6.1	Q50c	1.7	Jul Jan	9.6	-
NatWest	N□	478xd	4.0	18.5	2.1	Oct May	28.2	3483
Ottomane FFr		£30½	—	Q125%	2.8	May	12.5	-
Ryl Bk Scotland	♣N□	487	-2	11.0	1.9	Feb Jul	13.12	3874
Sakura Y		*££3*	*10.1*	*Q17%*	*3.0*	*Dec Jun*	*12'92*	3831
Sanwa Y	s	£14⅞	4.7	Q17%	2.7	Jun Dec	12'92	5108
Standard Chartd	♣N□	1063xd	2.1	24.0	3.5	Jun Oct	14.3	4854
7 3/8pc Pf		95¼	0.3	7.37	-	Apr	14.2	1718
Sumitomo Y		£14½	10.3	Q17%	6.7	Jun Dec	12'92	3079
Sumitomo Tst Y		973¾	-2.0	Q17%	2.3	Jun Dec	12'92	4918
TSB	N□	218	1.2	7.68	1.8	Apr Oct	14.2	4320
Tokai Y		£7⅞	7.1	Q18%	2.8	Jun Dec	12'92	5959
Toyo Tst & Bk Y		770¼	10.9	Q15½%	2.3	Jun Dec	30.6	-
Westpac A$		225	5.1	Q12c	ф	Jan Jul	21.12	-
Yasuda Tst Bk Y	‡	873¾	3.6	Q15½%	2.3	Jun Dec	12'92	6047

BREWERIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Ascot Hldgs	□	7¼	—	-	-	-	-	2515
Bass	N□	534	0.4	19.8	1.9	Feb Jul	13.12	1772
Boddington	♣N□	258xd	-.8	8.03	2.2	Apr Oct	14.3	1862
Burtonwood		188	-.8	4.78	2.6	Feb Aug	16.11	2022
Eldridge Pope A	♣N	145	-4.0	3.85	1.8	Feb Jul	4.1	2435
Fosters A$		57¾	2.6	Q6c	0.3	May Oct	22.9	2434
Fuller STA	♣†	435	-.7	7.52	3.2	Aug Jan	4.1	2843
Gibbs Mew	♣†	*418*	*-.5*	*8.29*	*2.5*	*Oct Apr*	*14.2*	2883
Greenalls	♣N□	445	3.2	12.36	2.1	Jul Feb	4.1	2766
Greene King	†N□	494	0.2	12.45	2.8	Aug Feb	4.1	2789
Grosvenor Inns	♣‡†ψ	144	-1.4	4.5	1.7	Mar Sep	14.2	-

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

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ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

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ENGINEERING, VEHICLES - Cont.

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INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

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LEISURE & HOTELS

LEISURE & HOTELS - Cont.

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MERCHANT BANKS

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RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

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TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£22¼		Q375c	1.9	Oct Apr	3'93	–
Barlow		£3½	–3.2	Q173c	1.7	Jan Jul	13.12	–
Gold Flds Prop R		85	–6.5	Q50c	1.2	–	31.1	–
NK Props	§	90		Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♥	286	–7.2	Q78c	–	Oct	23.9	3919
SA Brews		£11	–8.4	Q130c	2.2	Dec Jun	13.12	4113
Tiger Oats		635	–3.8	Q82c	2.9	Jan Feb	29.11	–
Tongaat-Hulett	†	525	–4.7	Q75c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross *dividend costs to profit after taxation, excluding exceptional profits/losses* but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† *Not officially UK listed; dealings permitted under Rule 535(2)*
- ✥ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates *to previous dividend or forecast.*
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g *Assumed dividend.* *ä Assumed dividend after scrip issue.* *m Interim higher than previous total.* n Rights issue pending q Earnings based on *preliminary figures.* s Dividend excludes a special payment. *t Indicated dividend: cover relates to previous dividend.* *u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.* v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for *1994-95.* G Assumed dividend after pending scrip and/ *or rights issue.* H Dividend based on prospectus or other *official estimates for* 1993. K Dividend based on *prospectus or other* official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings" P Figures based on prospectus or other official estimates for *1994.* Q Gross. R Forecast annualised *dividend, cover based* on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; *xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution*

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Finelist (Dists.), Natwest Smaller Co's. C (Inv. Tst.) and Brightstone Props (Property). Deletions: Bank Leumi (Banks), Resort Hotels (Leisure & Hotels), Triton Europe (Oil Expln. & Prod.), Merlin Intl., Micklegate and Palmerston (Property).

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Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

4 pm close April 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	14⅛	AAR	0.48	3.0	525	87	16	15¾	15¾	-⅛
16⅞	14	A L Labs A x	0.18	1.1	36	48	15⅞	15¾	15¾	-⅛
65½	58¼	AMP	1.68	2.8	21	3202	60⅝	59½	59⅞	-1
72¾	55½	AMR			28	4499	59¼	57⅞	57⅞	-¾
5	3⅝	ARX			15	87	4⅝	4½	4⅝	+⅛
56⅛	41½	ASA	2.00	4.8	27	780	42⅛	d41⅜	41⅝	-¼
30⅝	25⅜	AbbtL	0.76	2.9	15	9857	26¾	26	26⅜	-½
13¾	11⅞	Abitibi Pr	0.50	4.0	8	67	12¾	12⅝	12⅝	
13¾	11⅛	Acptncein			21	700	11¾	11⅝	11⅝	-⅛
31	24½	ACE Ltd x	0.40	1.4	4	268	28⅜	28	28¼	+¼
12½	10⅛	ACM Gvt In x	1.09	10.0		148	11⅛	11	11	-⅛
10⅛	7⅞	ACM GvOpp x	0.80	9.5		41	8⅝	8⅛	8⅜	
10⅞	8⅞	ACM Gvt Sp x	0.96	11.1		212	8¾	8⅝	8⅝	-⅛
12	9¾	ACM Gvt Se x	1.09	10.6		270	10⅜	10¼	10⅜	
11¾	8¾	ACM Man x	1.08	11.1		77	9¾	9⅝	9¾	+⅛
9¼	8	ACM Managd x	0.72	8.7		68	8⅜	8¼	8¼	
10⅝	8¾	AcmeCkv	0.44	4.1	13	1127	u10¾	9⅞	10¼	+1⅛
8½	7⅛	Acme Elect			35	205	8⅜	7¾	8¼	+⅜
28¼	23	Acordia	0.60	2.2	13	13	27⅛	27	27	
9¼	5¾	Actava	0.36	5.6	2	100	6½	6¼	6⅜	+⅛
13⅞	11¼	Acuson			96	334	12⅞	12⅝	12¾	+⅛
18⅞	16½	Adams Expr	0.36	2.1	0	105	17⅛	17	17⅛	
64	46½	Ad Micro	3.00	5.3		839	57¼	56	56½	-⅞
31¾	16¾	AdvMic	3.00	10.7	12	10885	28⅜	27¾	28	-⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

مكتبة الاهرام

4 pm close April 8

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18½	13⅝	Sbyrd	0.36	2.5	8	532	14⅝	14⅛	14½	-⅛
27	19¼	Safeway			28	1071	26¼	25¾	26¼	+⅝
6⅛	4⅞	SafecyWI98				25	6⅛	6⅛	6⅛	+⅛
57⅞	50¼	StJoePaper	0.20	0.4	287	102	54⅝	53⅝	54⅝	+1¼
30¼	28	StJoeLAP	1.80	6.1	15	13	29⅞	29¾	29¾	-⅛
90	78⅛	StPaul x	3.00	3.8	7	613	78½	78¼	78½	-⅛
9⅞	6¾	Salant Crp			8	28	7¼	7⅛	7¼	
49⅞	42⅞	Sallie Mae	1.40	3.3	8	2114	43½	42⅞	43	-⅜
13⅞	11⅞	Salomon Br	0.34	2.7		739	12⅝	12¼	12⅝	-⅛
62¾	44¾	Salomon	0.64	1.2	7	5187	52¼	50¾	51⅞	+⅞
25	21½	SnDgGE	1.52	6.9	11	671	22¼	22	22⅛	-⅛
10	7½	SantaFeEts	0.16	2.1	8	3185	8⅛	7⅝	7⅝	-½
40	34⅝	SantaFePac	2.80	7.8	16	84	36⅞	35⅞	35⅞	-⅞
26¼	21¾	SanFeP	0.10	0.4	13	3033	24	23⅝	23⅞	+⅛
28	20⅞	SaraLee	0.84	3.0	14	5246	21¾	21⅜	21½	-⅛
50½	44¼	Scana Corp	2.82	6.3	12	161	44⅞	d44⅝	44⅞	-⅛
20½	16	Scecrp x	1.42	8.7	11	3000	16¼	16⅛	16¼	
40½	35½	ScheringP			26	1413	35⅝	d34¾	34¾	-⅞
68¾	54½	SchrPl	1.80	3.2	13	2376	57⅛	56¼	56½	-⅝
61½	50¾	Schlmb	1.20	2.3	22	3378	53¾	52⅝	53⅛	+⅛
33	25¼	Schwab(C)	0.28	1.0	13	989	28⅝	28	28⅛	-⅞
10¾	6⅛	Schwitzer			26	795	10⅜	10	10	-¼
36⅞	25¼	SciAtl	0.12	0.4	54	839	27⅞	27⅜	27⅜	-⅞
16⅞	13⅞	Scotsman x	0.10	0.7	13	25	14⅛	14	14	-⅛

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 8

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Calprop							
Cambrex	0.20	13	5	22⅛	22⅛	22⅛	-⅛
Can Marc	0.28	21	z100	11¾	11¾	11¾	
Chmbrs A	0.01	7	1555	3⅞	3½	3½	-1/16
Chambers		7	123	3⅞	d3½	3¾	-⅛
Champion		40	168	27⅞	27	27¼	-⅝
Chiles		243	1991	5	4⅞	4⅞	-¼
CircPh	0.04	28	660	11¼	10⅞	10⅞	-⅜
Cntrl FdA	0.01		263	5¾	5⅝	5⅝	

NASDAQ NATIONAL MARKET

4 pm close April 8

[illegible]

FT GUIDE TO THE WEEK

11 MONDAY

Yeltsin visits Spain

Russian President Boris Yeltsin arrives in Spain for an official three-day visit during which he will try to drum up investment and reassure the west of Russia's continuing friendship despite its more assertive foreign policy. The visit comes at a time of continuing political instability in Russia and speculation about the president's health.

Air France ballot result
The outcome of a staff ballot on the rescue plan for Air France should be known by this evening. Trade union officials expect a majority of the 40,000 workforce to support the package of job cuts and a wage freeze to secure FFr20bn ($3.5bn) of state aid for the loss-making state-owned airline.

Chairman Christian Blanc has said he will quit if staff do not give him a clear majority. Prime minister Edouard Balladur has made staff approval of the plan a condition for receiving government subsidy.

Council of Europe assembly
The Council of Europe parliamentary assembly meets until April 15 in Strasbourg, France. During the session there will be a contest for the post of secretary-general.

The Council of Europe has become the main forum for welcoming fledgling democracies into Europe's institutional structures. Russia has applied to join the Council and will send a parliamentary guest delegation. Russian nationalist Vladimir Zhirinovsky, whose extremist views worry the west, will be part of the delegation.

IADB meeting: The InterAmerican Development Bank holds its annual meeting in Guadalajara, Mexico, from April 11 to 13. The talks will centre on a proposed $40bn capital increase for the bank.

Iliescu trip to France: Romanian President Ion Iliescu begins a three-day visit to France (until April 14), in his first official visit to the country since taking office in 1990. He will meet President François Mitterrand and Prime Minister Edouard Balladur. France has been more sympathetic to Romania than most EU states, who are worried by the continuing dominance of former communists, including Iliescu himself.

Senate returns: After a two-week recess, the US Senate returns today, the House tomorrow.

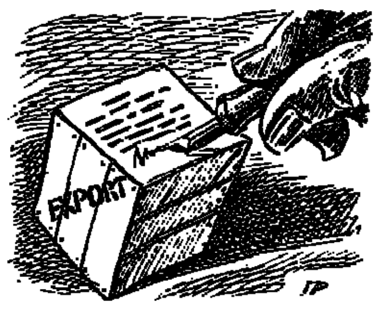
Funding Agency for Schools
The UK launches a government agency which will further erode the system of local authority-run mixed ability education. The FAS will help administrate, set up and fund grant-maintained but independently run schools which may be wholly or partially selective in which pupils they take.

Holidays: Hong Kong celebrates the Queen's birthday; India is on holiday for Gudi Padwa.

FT Survey: Latin American Finance.

12 TUESDAY

Uruguay Round talks



World trade ministers will meet in Marrakesh, Morocco, until April 15. On Friday they are due to sign the long-delayed final act of the General Agreement on Tariffs and Trade (Gatt) Uruguay Round, which was agreed last December. The signing will come a few days before the expiry of US President Clinton's "fast-track" negotiating authority extended by the US Congress in April 1993.

The US had demanded that the World Trade Organisation, the new permanent body to replace Gatt, should be formally committed to discuss links between trade and labour standards. This was attacked as a protectionist ploy by developing countries. A compromise now appears to have been reached.

UK parliament returns: Interest will focus on the local elections next month and the European parliament elections in June amid continuing speculation over the position of the prime minister. Key pieces of legislation before parliament include the criminal justice bill and the deregulation bill.

Texas Democratic primary
A run-off primary election for the Senate will be held in Texas to determine who will face Republican Senator Kay Bailey Hutchinson in November. Competing for the Democratic nomination are former congressman Jim Mattox and businessman Richard Fisher.

Japanese economic figures:
This week a slew of economic figures will be closely watched for any signs that the tentative economic upturn is here to stay.

Many analysts predict that Japan's recession, one of the worst since the war, is coming to an end. Consumer activity has shown signs of responding to the government's four economic stimulus packages while figures for industrial output (released on Friday) are forecast by the Bank of Japan to have risen in the first quarter.

Bolstering confidence in the possibility of recovery is a strong increase in housing starts which has been evident since the autumn. From that, manufacturers of consumer goods are expecting a pick-up in demand this spring as consumer goods generally lag housing starts by six months.

FT Survey: Slovenia.

13 WEDNESDAY

Macedonia deadline

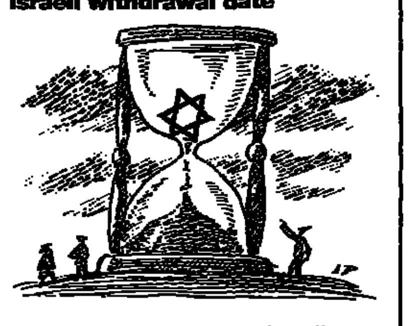
This is the EU deadline for Greece to lift its two-month embargo of Macedonia or face legal action in the European Court of Justice. Today Macedonian officials hold talks in New York with Cyrus Vance, UN mediator in the dispute over the former Yugoslav republic's name, flag and constitution. Greece will meet Vance tomorrow but is unlikely to lift the embargo before today's deadline.

Chinese trade mission: Trade minister Wu Yi leads a 200-strong delegation, the largest sent to the US, to negotiate 800 contracts. President Clinton has made a renewal of China's "most favoured nation" trade status dependent on human rights improvements this year.

Party funding report: The House of Commons home affairs committee publishes its report into funding of political parties. The inquiry began last year after the row over disgraced entrepreneur Asil Nadir's donations to the Conservative party.

Labour and Liberal Democrat MPs will want either state funding or strict controls on donations and election spending because of the scale of business donations to the Conservatives, many from abroad.

Israeli withdrawal date



Israel is due to complete its military withdrawal from the occupied Gaza Strip and West Bank town of Jericho in preparation for Palestinian self-rule under last September's peace deal.

However, the final troop pull-out is dependent on Israel and the Palestinian Liberation Organisation completing a comprehensive agreement in Cairo on security and economic issues.

Israel has virtually completed its withdrawal but the talks have been bogged down in wrangling over the role and size of the Palestinian police force and the extent of Israeli legal jurisdiction.

In Strasbourg, PLO chairman Yasser Arafat will address the Council of Europe's assembly and will undoubtedly comment on any delays.

US retail sales: A rebound in today's US retail sales figures for March may heighten fears that the Federal Reserve will tighten monetary policy. Also out today is the consumer prices index for March, which is expected to have moved a notch higher.

14 THURSDAY

Bundesbank meeting

Having been caught repeatedly on the hop by most of the Bundesbank's interest rate shifts of the past 12 months, few economists are prepared to call the odds on a discount rate cut at today's meeting of the German central bank's council. Some tea leaf watchers suggest a move this week to head off friction at the G7 meeting booked for Washington on April 23 and 24, but they are in a minority.

Although most indicators point firmly towards further reductions, the Bundesbankers can easily blame any delay on the uncertainty caused by the recent explosion in M3 money supply growth. Even though the bank claims it has identified the "special factors" responsible, and suggests there is little need for concern, experience shows that it likes to be sure that it is receiving all signals clearly before going into action.

UDF conference: Bulgaria's opposition Union of Democratic Forces holds a national conference (to April 15). The UDF won the October 1991 elections but collapsed after little more than a year in a welter of internal wrangles and scandals, leading to the return of a government backed by the Bulgarian Socialist party, the former communists, and breakaway elements from the UDF.

The UDF hopes that Bulgaria's economic problems will deliver them the next election, which is due in 1995 but likely before then.

Pasok congress: Greece's ruling Panhellenic Socialist Movement holds a party congress for the first time in more than three years (until April 17). Although the leadership issue is not on the agenda, potential successors to ailing Prime Minister Andreas Papandreou will be jostling for position in the corridors. The leading contender, interior minister Akis Tsochatzopoulos, expects to boost his chances by winning re-election as Pasok general secretary.

Pawlak visits Germany: Waldemar Pawlak, Poland's prime minister, begins a two-day official visit to Germany. Although relations between Bonn and Warsaw are very good, the Polish government remains disappointed at the low levels of investment by German companies in Poland.

Pawlak, who heads a coalition of the Democratic Left Alliance and the Peasants party, will seek to assure his hosts that there is no turning back from the economic reforms.

UK visible trade figures: Analysts will watch today's whole world trade figures for January for signs that recovery in the UK is putting pressure on the visible trade deficit. The last set of complete trade figures were disappointingly poor, with higher imports in particular suggesting that the UK trade balance is deteriorating.

FT Surveys: Turkey; Austria.

15 FRIDAY

Italy's parliament meets

Italy's new members of parliament from last month's elections take their seats today. The business of government cannot begin until Italian President Oscar Luigi Scalfaro has chosen a prime minister, which he cannot do until parliament has reconvened. Media magnate Silvio Berlusconi appears increasingly likely to be able to form a right-wing administration.

CIS summit: The former Soviet republics meet in Moscow to try to make progress on economic union and military co-operation.

The European Bank for Reconstruction and Development begins a four-day annual meeting in St Petersburg.

Brazil debt deadline: Brazil and its private bank creditors are expected to complete a $52bn debt rescheduling in New York, reducing the overall burden on Brazil, the developing world's biggest debtor.

UK retail prices index: The March figure may have been boosted by the delayed end to January discount sales, but the dropping out of increases in petrol and food prices last year may cut the underlying rate.

16-17 WEEKEND

EU and GCC in Riyadh

Ministers and officials from the European Union and the Gulf Co-operation Council (GCC) grouping of Gulf Arab states meet in Riyadh on Sunday. They will almost certainly discuss the long-standing Gulf concern of petrochemical access to the European market.

Pacific Grand Prix: The Formula One World Championship motor racing Grand Prix will be held in Aida, Japan, on Sunday.

London Marathon: On Sunday the Nutrasweet London Marathon will begin at Greenwich and finish in front of Buckingham Palace. It has a world-record entry of 36,500 runners.

Fifth Test match: England play West Indies in the fifth and final cricket Test match at St John's, Antigua, from Saturday to April 21.

Embassy World Championships: The World Snooker Championships will be held at the Crucible Theatre, Sheffield, from Saturday to May 2.

Edited by Robert Anderson.
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ECONOMIC DIARY

Other economic news

Monday: UK consumer credit figures for February will be analysed for further signs that UK consumers have been cutting back on their spending ahead of this month's tax increases. The average forecast is for net credit of £250m, against £235m in January.

Tuesday: Monthly producer price figures for the US are expected to show rises of 0.2 per cent in both the headline and the core rate, indicating that there is still little sign of an inflationary upturn, despite the strong economic growth.

Meanwhile, figures for French inflation in March are expected to show that prices are under control, with a 0.3 per cent month-on-month increase allowing the annual rate to drop to 1.6 per cent. For much of 1993, French inflation was hovering around the 2 per cent mark.

Friday: The strength of the US economy should be shown by industrial production figures for March, showing a monthly rise of 0.7 per cent and by capacity utilisation figures, which are forecast to have edged up to 83.8 per cent, from 83.4 per cent in February. Very strong numbers will awaken fears that the Fed will move to tighten rates again.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Feb consumer credit	£250m	£235m
April 11	Canada	Feb motor vehicle sales*	2.6%	-1%
Tue	US	March producer prices index	+0.2%	0.5%
April 12	US	Ditto, excluding food & energy	+0.2%	0.1%
	Japan	Feb mach'ry orders ex ships etc*	1%	1.9%
	Japan	Feb mach'ry orders ex ships etc**	-1%	0.4%
	France	Mar consumer price index prelim**	1.6%	1.8%
	Canada	Mar housing starts	166,000	153,000
Wed	US	Mar retail sales	+1%	1.5%
April 13	US	Ditto, ex auto	+0.9%	1%
	US	Mar consumer prices index	+0.3%	0.3%
	US	Ditto, ex food & energy	+0.3%	0.3%
	France	Jan current account	FFr5bn	FFr15.7bn
Thur	US	Feb business inventories	-	0.0%
April 14	US	M1, w/e April 4	+$2.2bn	$3.2bn
	US	Ditto, M2	+$2.5bn	$0.1bn
	US	Ditto, M3	+$5.5bn	-$4.3bn
	US	Mar M1, monthly	+$5bn	$5.1bn
	US	Ditto, M2	+$17bn	-$3.2bn
	US	Ditto, M3	+$10bn	-$27.8bn
	US	Initial claims	334,000	337,000
	Japan	Mar wholesale price index*	-0.1%	-0.5%
	Japan	Mar wholesale price index**	-2.8%	-3.2%
	UK	Jan visible trade – global	-£1.31bn	-£1.57bn
	Spain	Mar consumer prices index**	4.8%	5%
Fri	US	Mar industrial production	+0.7%	0.4%
April 15	US	Mar capacity utilisation	83.8%	83.4%
	Japan	Feb industrial production seas/adj	-	1%
	Japan	Feb shipments seas/adj	-	0.7%
	UK	Mar retail price index*	0.4%	0.6%
	UK	Mar retail price index**	2.4%	2.4%
	UK	Ditto, ex mortgage int payments**	2.6%	2.8%
	Canada	Mar consumer prices index*	0.2%	-0.8%
	Canada	Mar consumer prices index**	0.4%	0.2%
	Canada	Ditto, excl food & energy**	0.4	0.4%
During this week...				
	Japan	Mar trade balance, custom cleared	$14.6bn	$10.9bn
	Japan	Mar money supply, M2/deposits**	-	1.6%
	Japan	Mar broad liquidity**	-	3%
	Germany	Mar final cost of living**	-	3.4%
	Germany	Feb retail sales real**	0.5%	1%
	Germany	Mar wholesale price index*	0.2%	0.5%
	France	Feb M3*	-	-0.6%
	N'lands	Mar consumer prices index**	2.9%	3%
	N'lands	Feb retail sales**	-	1%
	Spain	Mar registered unemployment rate	18.2%	18.01%
	Spain	Mar M4 – annualised*	-2.7%	-6.3%
	Denmark	Feb unemployment seas/adj	12.3%	12.5%

*month on month. **year on year *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.8,425 Set by CINEPHILE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday April 21, marked Monday Crossword 8,425 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 25.

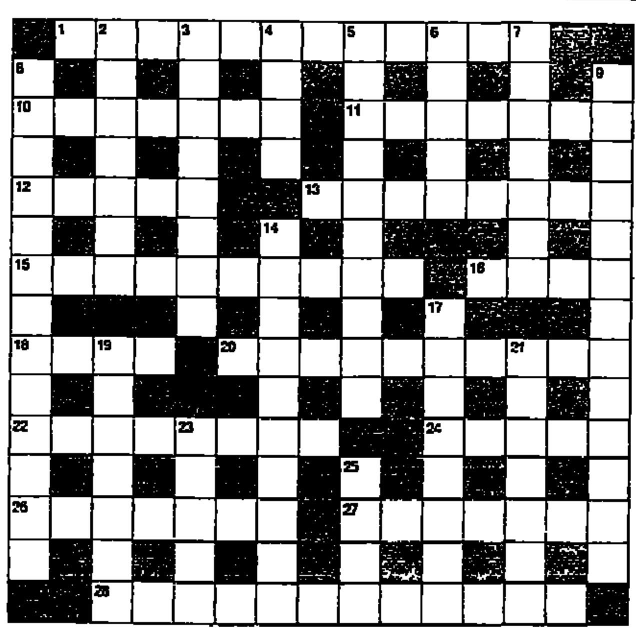
Name..

Address..

....

ACROSS
1 Progress made on Giant's Causeway? (5,7)
10 The King and I find plenty happening with high explosive (7)
11 A very large number are sick in heaven (7)
12 Dance requiring another bachelor for alcoholic confection (5)
13 Agent for change along the river? (8)
15 Loveless Picasso has to stick around – too hard to grasp? (10)
16 Go away, do you hear? Smith will do it (4)
18 Open wide with note to copy (4)
20 Offer a measure to newcomer (10)
22 Some letters – most of them – in dish (8)
24 Mass with branch at 225°? (5)
26 Undesirable motorist mended hood with rag (4,3)
27 Haar misplaced in country mansion? (3,4)
28 It reads directions intact: it's given by not objecting (5,7)

DOWN
2 Herring, a revolutionary cleaner? (7)
3 A bad cut by colleague in reality (8)
4 Dispatch to coastal resort shortly (4)
5 Shaver made from barrel a dozen short (5,5)
6 Bob or Thomas from Shady Lane (5)
7 Second bit of salt contains article for vegetable (7)
8 Not meeting directors around the floor? (8,5)
9 There were more than this giving a turn, it seemed (13)
14 Compartments may be supplying an unlikely drink to get drunk on (10)
17 Dad's in Hair, which is an intrusion (8)
19 New carpets that can't be altered (7)
21 Eggs turned into what has standing at a conference? (7)
23 And this is classical morality (5)
25 Capital, very large, much smaller than London (4)



Winners 8,415

N.P. James, Hove, Sussex
Mrs Renee Booker, Fowey, Cornwall
Mrs & Miss Hadden, Portadown, Co Armargh
Richard King, Badgers Mount, Twickenham
S. Lansley, Maidenhead, Berks
Mrs M. Pritchard, Henley on Thames, Oxon.

Solution 8,415

B	I	T	O	F	F		P	A	R	S	I	F	A	L
R		A		O				H		Y		U		O
I	S	R	A	E	L		C	O	M	M	A	N	D	O
E		A		T		C		Y		P		G		K
F	A	N	L	I	G	H	T		C	A	S	I	N	O
L		T		O		O		S		T				U
Y	O	U	R		S	C	O	T	C	H	M	I	S	T
		L		S		T		A		Y		C		
B	L	A	C	K	M	A	G	I	C		L	E	F	T
L				Y		W		O		A		H		R
O	N	T	A	P	E		F	L	A	G	P	O	L	E
O		I		I		S		Y		E		C		A
M	U	T	I	L	A	T	E		S	N	A	K	E	S
E		U		O		Y				D		E		O
R	O	S	E	T	T	E	S		C	A	N	Y	O	N

FINANCIAL TIMES SURVEY

LATIN AMERICAN FINANCE

Monday April 11 1994

Despite a series of shock events in Latin America this year, the flow of capital should continue, albeit at a slower rate. **Stephen Fidler** discusses prospects for the future and suggests that external investors may become more selective

The picture darkens

Investors in Latin American financial assets have been rocked this year by a series of events that have provided a timely reminder of the risks of investment in the area's emerging markets. They have been left questioning their previous expectations about future economic growth and political stability. Yet, although the shocks may result in more selectivity by investors, there are reasons to expect a continued net flow of private capital into the region.

As Latin America's main importer of capital, Mexico sets the tone for the region's financial markets. The implementation on January 1 of the North American Free Trade Agreement (Nafta) between the US, Canada and Mexico was expected to provide a base for inward investment flows to Mexico and to help avoid the usual financial uncertainty that plagued the country in each of the three previous presidential election years.

It was not to be. The new year was also greeted by a peasant rebellion in the state of Chiapas which shocked the administration of President Carlos Salinas. Then the March 23 assassination of Luis Donaldo Colosio, the ruling party's presidential candidate, further shook the government. To some foreign investors, the two events underlined previously-underestimated political risks associated with Mr Salinas's economic reform programme.

Outside Mexico, other events also shifted perceptions of investor risk. In Argentina, unrest among provincial government employees in Santiago del Estero was interpreted by some as a parallel to Chiapas in that it showed signs of opposition to President Carlos Menem's market-oriented reform programme. (The government argued that the cause was an unreformed provincial administration.)

From Venezuela, where the administration of President Rafael Caldera was elected on a platform opposing market reform efforts, the collapse of the second largest bank, Banco Latino, increased concerns. Later, the government suffered a downgrading of its debt, the first for a country that had previously issued Brady bonds in a debt restructuring.

In Brazil, the one Latin country where inflation has not fallen, investors worried about elections later this year given the leadership in opinion polls of Luiz Inacio Lula da Silva, presidential candidate from the left-wing Workers' Party.

Yet the event that engendered the largest market correction occurred outside the region: an initial one quarter point interest rate increase by the US Federal Reserve in February. The direction of the change was no surprise, but it came earlier than many investors expected. US interest rates influence Latin America's financial markets in many ways. Low interest rates in the US have driven US-based investors – many of them Latin Americans – to seek higher returns from regional markets where tight monetary policy and high interest rates have held sway. Low US interest rates also encouraged US retail investors to shift resources into mutual funds, a significant portion of which have been seeking high returns in emerging markets including those in Latin America.

But a third factor appears to explain the magnitude of the correction in Latin markets. This was the extent to which buyers of Latin American assets were highly leveraged – borrowing money to buy debt in particular.

Ms Cathy O'Donnell, senior vice-president at one of the largest emerging market debt traders, Chase Manhattan, said: "When a lot of investors are leveraged and the market goes down, the investors' losses are magnified. If you are in a downward spiral, it feeds on itself because of leverage."

It was also clear that dealers in emerging market debt were on the whole heavy with inventory following the price increases of last year and the positive perspective encouraged by Nafta. They, too, were forced to lighten their books and sell into a falling market.

Mr Neil Allen, head of emerging markets at Bankers Trust in New York, viewed the rally in Latin America which ended in February as both a trend and a fad. For those attempting to develop long-term business in the region, "the fad is not always your friend", he said.

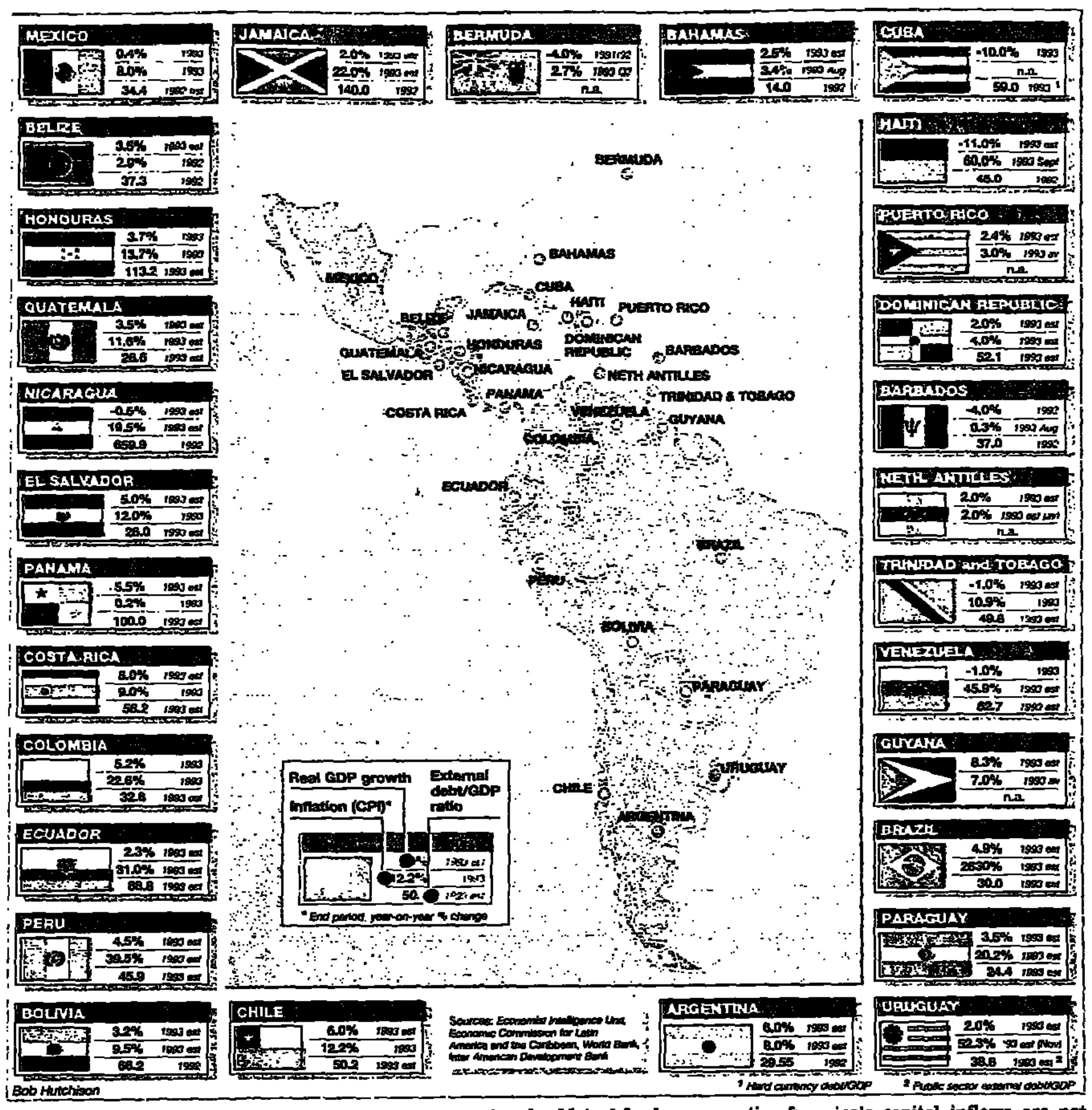
Not all of Latin America's new investors are so interest-rate sensitive or driven by fads. The emerging markets of Latin America, Asia and eastern Europe are now recognised by institutional investors such as pension funds as an important target for investment.

Sharp corrections in stock and bond markets in developed countries, such as has been experienced in recent weeks, will inevitably slow flows to emerging markets, but many observers expect that over the medium term the investment will continue.

"We are seeing the beginnings of a large portfolio shift that can last 10 to 15 years," said Mr Anthony Bottrill, deputy managing director of the Institute for International Finance in Washington, a think tank owned by international banks.

Mr John Purcell, head of emerging markets research at Salomon Brothers, said: "I think pension funds and mutual funds are going to come back to the market." Mutual funds – accounting for about 6 per cent of the financial assets held by individuals in the US – have been growing rapidly but "are nowhere near as large as they are eventually going to get". This suggests a continued flow of funds to emerging markets.

Furthermore, Latin America's capital inflows are not totally dependent on portfolio investors. Foreign direct investment has been spurred by economic reform and, although much of this has been on the back of once-and-for-all privatisation programmes, can be expected to continue – so long as economic growth remains positive.



Bob Hutchison

International banks, having been burned by the debt crisis, are returning to the region, too. Most banks have changed substantially since the early 1980s and are never likely again to use their balance sheets to provide large-scale medium-term finance for the region. Now most prefer to be in Latin America not as lenders, but as traders and underwriters. But there are signs that some lending will take place, as suggested by a $1.1bn financing arranged this year for Mexico's Petroleos Mexicanos by JP Morgan – said to be the first voluntary bank loan for a Mexican sovereign entity since the 1982 debt crisis.

If a slowing – rather than an outright halt – of capital inflows to Latin America is what is in prospect, it may be no bad thing. The volume of the flows in recent years has worried some observers and has caused problems in monetary management in many countries. In the medium term, the sustainability of inflows will depend heavily on economic performance. Since performance will diverge from country to country, so it is likely that capital flows will become more selective.

Despite the Brady plan and other debt reduction efforts, many countries remain rela-

Continued on page 8

IN THIS SURVEY

Editorial production: Roy Terry
Statistics: Asita Juma

COUNTRY FOCUS

Fight to control inflation

Like other Latin American countries that have been through an intense liberalisation process, Colombia is inclining towards greater social spending as a way of mitigating the effects of opening up the economy. President Cesar Gaviria's government has also veered in this direction and the two leading candidates for the May presidential elections are speaking of the lessons to be learned from events in Caracas and Chiapas.

The immediate concern is not so much where the money will come from but how to keep inflation under control and avoid revaluing the peso. Over the past three years the government has brought the annual inflation rate down from 33 per cent to 23 per cent and the 1994 target is 19 per cent.

However, independent economists say the rate is unlikely to drop below 22 per cent, particularly as inflation for the first two months of the year reached 6.9 per cent. At the same time devaluation is only 10-11 per cent a year and exporters are losing ground.

Mr Rudolf Hommes, minister of finance all through the Gaviria government, says the administration will hand over a fiscal surplus of 2 per cent of GDP, the result of improved tax collection and extra income from the sale of state-controlled financial institutions and cellular telephone concessions. The aim is to limit this year's growth in international reserves to US$450mn and use some of the surplus to prepay foreign debt. Modest export growth and a further, though smaller, rise in imports are expected for 1994.

In the eyes of foreign investors, the stability of Colombia's economy is to some extent offsetting risks associated with guerrilla warfare and violence; foreign investment (excluding oil) rose by about 85 per cent last year. While the privatisation programme is not as exciting as some and the stock market remains very small, more banks are due to be auctioned off and a range of opportunities is opening up in the transport and energy sectors. The signing of the first bilateral investment treaty with the UK in March ensures equal treatment for foreign and local capital and is an important step towards cementing confidence among investors; agreements with other countries are expected to follow.

Although BP's Cusiana and Cupiagua oil discoveries transformed Colombia's earnings outlook for the late 1990s, foreign companies have been

COLOMBIA

unhappy with the terms of the state petroleum company's association contracts for some time. Ecopetrol will be putting some 28 blocks up for exploration in mid-April and the new contracts are expected to be more flexible, taking into account the profitability of different fields. The majority of the new areas – many of which were previously reserved for Ecopetrol – are in the eastern plains or llanos.

With economic growth rates consistently higher than population increase, Colombia's income per capita has been rising steadily. Last year's economic growth was 5.2 per cent and the government is forecasting 4.5 per cent to 5 per cent for 1994. Recent studies suggest that income distribution has also been improving (though this point is controversial), while the gap between urban and rural areas has broadened during the modernisation process. Agriculture improved slightly in 1993 but the next government will have to tackle serious economic and social problems in the countryside, including those related to the guerrilla influence on how municipal budgets are spent.

The main rivals for the presidency – Ernesto Samper, the governing Liberal party candidate, and Andres Pastrana of the Social Conservatives party – have committed themselves to consolidating the opening up of the economy. Both candidates have also promised improvements in infrastructure, which has failed to keep up with business needs. However, Mr Pastrana is aiming for higher growth rates and places greater emphasis on internationalisation, while Mr Samper stresses jobs and training programmes. Mr Samper says he will give priority to fighting crime in the cities, especially Bogota, as well as violence in the countryside, not only with weapons but with the persuasive power of social investment.

Sarita Kendall

Uncertainty about growth prospects

The assassination of Luis Donaldo Colosio, presidential candidate of the ruling Institutional Revolutionary Party party, could not have come at a worse moment for Mexico's economy.

Last year the economy grew by just 0.4 per cent, and shrank in the second half. Despite the low growth, Mexico ran a current account deficit of around $20bn, making it acutely dependent on short-term capital inflows.

The rise in US interest rates had put further strain on the economy. Higher US interest rates have hit the stock market, one source of foreign capi-

MEXICO

tal, and forced Mexico to push its rates higher than it would otherwise have liked, potentially hurting the economic recovery.

The political situation was highly tense even before Mr Colosio's assassination. The new year uprising in the southern state of Chiapas seriously shook the government, and raised doubts about sustainability of the economic and political model followed over the past decade. It indirectly came close to causing a renegade presidential bid of Mr Manuel Camacho, the peace envoy in the state, that could have split the ruling party.

The adverse economic and political environment had taken its toll on financial markets. From February to the penultimate week of March, Mexico's stock market fell by nearly 15 per cent. The peso lost 7 per cent of its value against the dollar, and Mexican interest rates reversed their downward trend.

While financial markets proved unexpectedly resilient in the aftermath of the assassination of Mr Colosio, the killing led to a further increase in interest rates. If more violence lies ahead, then the political uncertainty may force the government to choose between still higher interest rates that would choke the recovery or a faster rate of devaluation of the peso that could cause an upsurge in inflation.

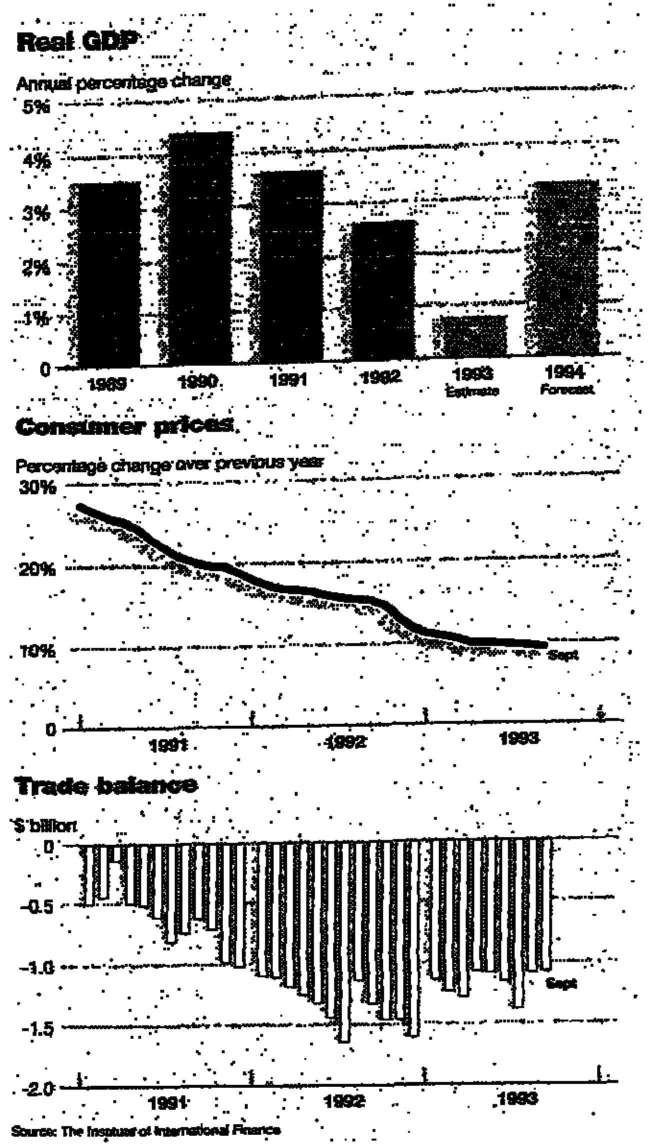
The recession of the second half of last year has also raised questions about the efficiency of Mexico's economy and its long-term ability to compete in world markets. Mexico's strong exchange rate and openness to trade has forced thousands of unproductive companies out of business – in sectors such as textiles, toys, paper and pulp, which all contracted sharply last year.

In a recent report the World Bank says Mexico's low savings rate at a time of slow growth has made its economy overly dependent on foreign capital. It concludes that the high current account deficit and only modest improvements in productivity in recent years "raises concern about the sustainability of economic growth".

The World Bank attributes Mexico's low economic growth to the "substitution of foreign goods for domestically-produced goods". It believes this is a result of the low competitiveness of Mexican companies, partly because their old technologies have become obsolete, and new investment has replaced existing capital stock rather than adding to it.

The government prefers to blame the recession on short-term factors: its goal of single-digit inflation that led to high real interest rates and a budget surplus last year, the uncertainty over the US Congressional vote on the North American Free Trade Agreement which damaged business and consumer confidence last year, and the sharp slowdown in lending as recently privatised banks sought to resolve problems of past due loans.

There is no doubt that short-term conditions this year look more propitious for growth. Monetary and fiscal policy has been loosened.



Source: The Institute of International Finance

Interest rates have fallen to around 9 per cent from 15 per cent in June last year. The government announced a large increase in spending that will at a conservative estimate turn last year's surplus into a balanced budget.

The banks have also started to lend money again, as they have sorted out most of the problems of non-performing loans. The passage of Nafta should lead to an increase in direct foreign investment in plant and machinery and should boost business confidence. Inventories have also been run down during the recession, and if demand picks up, an immediate increase in output is expected.

The political situation was highly tense even before Mr Colosio's assassination

Some signs of economic recovery were evident in November and December with construction activity, investment in machinery, and durable goods sales (such as cars) all growing. Just as a drop in the sales of durable goods indicated the beginning of the recession, their recovery seemed to indicate the end of it.

However, events in Chiapas and the assassination of Mr Colosio may make the recovery less robust than hoped for. Consumer spending accounts for about 70 per cent of private demand, and unless this picks up economic growth will be sluggish. Non durable goods sales – such as food – which went into the recession last, continued to fall in November and December.

Even if economic growth reaches the target of 3 per cent this year, there is little doubt that after nearly a decade of pro-market economic reform the Mexican public was expecting more from the last year of the Salinas presidency. Assuming the official forecast is met, national income will have increased little more than the rise in population over the six years of the term of President Salinas.

Damian Fraser

New faces, same policies

The faces of Chile's new administration may be different but the policies remain the same. President Eduardo Frei, who in March took over the helm of an economy that has averaged 6 per cent annual growth over 10 years, has stressed that continuity will be the abiding theme of his six-year administration.

Less than 48 hours after donning the presidential sash, Mr Frei was addressing a conference of international business leaders, acknowledging the part foreign capital had played in driving export-led development and inviting fresh participation. Foreign investment in 1993 reached record levels of $2.7bn, 6 per cent of GDP.

Unlike in some other Latin American countries, most of these inflows were neither short-term nor attracted by state sell-offs. Much was directed at medium- and long-term projects, principally in the mining and industrial sectors, while nearly $800m came through the purchase of American Depositary Receipts (ADRs) issued in New York by private Chilean companies.

Such levels of investment

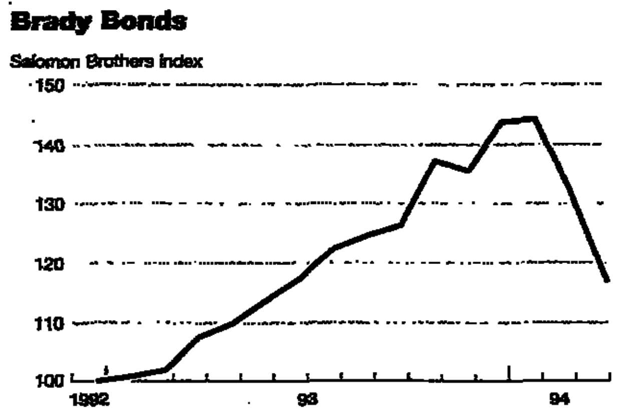
CHILE

testify to confidence in the soundness of Chilean macro-economic fundamentals. These include foreign reserves of $10.3bn (more than a year of imports), regular budget surpluses, inflation (though slightly stubborn) at 12-13 per cent and south-east Asian levels of savings and investment at 21 and 27 per cent respectively. According to Mr David Lubin, an economist at Samuel Montagu recently in Chile: "Anyone not impressed by these figures is just trying to be clever."

One area that has prompted some concern, though, has been the widening current account deficit which reached $2.1bn last year, nearly 5 per cent of GDP. This was largely caused by falling prices for raw material exports and surging demand for imports which together produced a trade deficit of $978m, the first in nearly a decade. Mr Lubin, however, says Chile's ability to sustain the deficit through foreign investment, without increasing the debt stock, is convincing evidence of economic health.

Brady Bonds

Salomon Brothers index



Source: Salomon Brothers

Furthermore, expectations that the deficit would widen this year are beginning to look pessimistic, with the first two months of 1994 showing a slight trade surplus.

Chile, which trades nearly two thirds of its GDP, is also witnessing the internationalisation of its financial system. Eight Chilean companies are actively traded in New York through the ADR mechanism and more than 10 others are hoping for international placements this year. Foreign interest in Chilean paper helped to drive up the Santiago exchange last year: the IPSA index of most-traded shares recorded real gains of 50 per cent.

Mr Eduardo Aninat, the new finance minister, is committed to continued international integration though the promised opening up of the capital account will be undertaken "tremendously cautiously". Mr Aninat points to progress made through recent capital markets reform which permits trading in new instruments and allows private pension funds to invest a greater proportion of their $16bn assets abroad.

Chile also hopes to polish its image through a free trade agreement with the US, either bilaterally or through accession to the North American Free Trade Agreement (Nafta). Mr Aninat hopes a deal can be struck by 1995. By then, Chile should also be a part of the Asia Pacific Economic Co-operation (Apec) bloc, a region that accounts for a third of its exports.

Signs of Santiago's growing confidence, reflected in last year's triple B-plus country risk assessment from Standard and Poor's, has attracted foreign investment to increasingly long-term projects. British Gas and Houston-based Tenneco Gas, which are negotiating participation in a $1.65bn project to pipe natural gas from Argentina, do not expect to recoup their investment for 20 years. Until recently, such long-term strategies would have been unthinkable.

Chilean copper deposits, the richest in the world, are also a magnet for foreign capital. Last year a US/Canadian consortium of Cyprus Amax and Lac Minerals agreed to pay $555m for 51 per cent of the El Abra deposit which they estimate will require $1bn development costs. Although there are difficulties, the large sums on the table demonstrate the premium Chile is reaping for political and economic stability.

Few analysts disagree with Chile's belief that there are few obstacles in the medium term to sustained annual growth of 6 per cent, though in the coming year this is expected to fall to 4-4.5 per cent.

If anything, opportunities for the foreign investor should increase. The new administration, which has set a $33bn target for investment in infrastructure by 2010, will be looking for substantial input from private capital. President Frei has also hinted that the stalled privatisation process may be revived, though the biggest prize of all, state copper company Codelco, is for the moment strictly off limits.

David Pilling

Doubts cloud outlook

Last year, Venezuela's capital markets had to cope with a swarm of uncertainties. These included three different presidents during a 12-month period, terrorist bombings, an economic recession, high inflation, a large fiscal deficit and weak prices for petroleum exports, which are the main source of export receipts for this South American republic of 20m and a vital source of revenue for the government.

In 1994, the markets must still deal with sagging oil prices, inflation, a deficit and a recession, now in its second year.

But the country now has a new president, Mr Rafael Caldera, 78, who began a five-year term on February 2. The political situation has stabilised, at least for the time being, and the only bomb came in January, when the failure of the country's second-largest bank, Banco Latino, set off a crisis in the financial system and caused a run on the government's foreign currency reserves.

Investors still have plenty to worry about in Venezuela, especially since the new government's economic programme (new taxes, budget cuts, price controls, plus a commitment to privatisation and new private investment) is just getting off the ground. It is too early to say what kind of results the programme will produce.

Interest rates remain high, and are a prime target of the new administration. Average nominal rates for commercial loans in February were 65.4 per cent, while average rates for time deposits were 47 per cent.

Inflation was 46 per cent in 1993 and is projected to be between 35-60 per cent this year. The low figure comes from the government, while the high figure reflects pessimistic thinking by some businessmen.

The CPI rose by 4.3 per cent in January of this year, but declined to 1.9 per cent in February. The drop was due mainly to the application of selected price controls.

The failure of Banco Latino last January provoked a rush to buy US dollars, and the government's international monetary reserves fell by US$1.4bn in January and February, compared with a decline of $519m for full-year 1993.

The Venezuelan bolivar, which lost 25 per cent of its value vis-à-vis the dollar last

VENEZUELA

year, continues to decline on a daily basis under a crawling peg system implemented by the central bank.

As a result, dollar purchases continue to be stronger than the norm, and many Venezuelans are buying dollars as a hedge against inflation and devaluation.

In spite of all this, the country's equity market has been surprisingly strong. The Caracas Stock Exchange Index, which rose by less than 1 per cent in January, was up 28 per cent by the end of February and by March 28 had dropped to 18 per cent above the 1993 year-end figure.

In 1993, the Caracas index rose by 10 per cent in nominal terms, but in real terms declined by 17.5 per cent. The market went through a series of strong ups and downs last

Interest rates are high, and are a prime target of the new administration

year, a pattern that seems to be appearing again in 1994.

One stock analyst, Mr Alex Dalmady, pointed out that the roller-coaster performance of the Caracas exchange in 1993 produced strong gains for some investors, especially those who picked up blue chips during the slumps.

This year, he said, market rallies in January and February have left some Venezuelan industrials undervalued and quite attractive. These include Sivensa, a steelmaker, Madosa, an appliance company, and H.L. Boulton, a diversified industrial and commercial group.

However, the Caracas equity market's outlook for 1994 is clouded by the threat of a proposed tax on bank debits. This new levy, which is still being considered by Congress, would tax most private sector and individual debit transactions at banks by 0.75 per cent. The tax would cover cheques and electronic debits.

The Caldera administration argues that the tax will only be in effect until the end of 1994, and that it is necessary to cover part of a large fiscal deficit.

The president of the Caracas Stock Exchange, Ms Norys Aguirre, requested that the government exclude exchange transactions from the proposed tax. She warned that it would significantly raise transaction costs and drive much of the exchange's business offshore.

A similar tax in Argentina, Ms Aguirre said, was eliminated several years ago soon after it was implemented. The Argentine authorities discovered that the tax had driven much of Argentina's stock trading to neighbouring Uruguay, and had encouraged Argentines to conduct as many business activities as possible in cash.

Issues of Venezuelan corporate bonds in dollars have declined this year, but new issues denominated in bolivars are quite strong, according to Mr Stephen A. Haecker, head of Bank of America's local capital market subsidiary, Bamerinvest C.A.

Leading companies such as the CANTV, La Electricidad de Caracas and Corimon find that commercial paper offers an economical alternative to bank loans. However, the commercial paper market has been somewhat disorganised this year as new government regulators take over.

Several Venezuelan companies have placed their shares on international stock markets in recent years (for example, in the shape of ADRs), and a small group of other companies are looking at ADR issues for 1994.

Joseph Mann

Business begins to dig in

"Peru has suddenly become a fashionable country for investors," said a senior Citibank analyst on a late March visit to Lima. "Foreign governments may still have reservations about issues like democracy and human rights, but business people are digging in here already."

He is right. *In the past three months*, there have been many indications that Peru can again be considered a fully-fledged member of the international financial community. The principal goals set by the government of *President* Alberto Fujimori when it took office in July 1990 have been largely – *if painfully* – achieved.

Tight monetary policy has brought inflation down to steady levels of between 1.5 and 2 per cent a month: this year's target is 20 per cent. Deregulation and economic liberalisation have struck further and faster against deep-rooted statism than in any other country of the continent. *And fences have been* rebuilt with the multilateral organisations: Peru's debt with the IMF, IADB, World Bank and the Paris Club has been rescheduled and fresh credits are flowing.

For the past two years, Lima's small but active stock market has flourished with a *flurry of investment from* abroad. The 1992 performance (when the index rose 125 per cent in dollar terms) made Lima the world's second most profitable emerging market. Significant foreign funds now account for two-thirds of all trading, which is averaging more than $20m a day.

Even more encouraging are recent signs of investor willingness to commit medium- to long-term money to Peru. Spain's Telefonica on February 28 bid more than $2bn for a 35

PERU

per cent controlling stake in the country's twin telecommunications companies CPT and Entel – the highest price paid in any Latin American telephone privatisation.

Royal Dutch Shell, meanwhile, is signing a contract with the Peruvian government for feasibility studies which will lead to development of the vast Camisea gas fields they discovered in 1986. Political problems had *stymied* earlier accords but now, if all goes as expected, Shell will be making the largest direct investment in Peruvian history (anything between $1bn and $2bn).

Other big-name foreign companies are entering Peru through the sweeping privatisations programme which is now forging ahead. Anglo American, Cyprus Minerals and China's Shougang Corporation have already bought important copper and iron *deposits*. RTZ and Phelps Dodge are among front-runners for forthcoming minerals sell-offs.

There is keen Latin American interest in Peru's largely decapitalised industrial sector. Chileans have bought into the bottled gas and paint industries as well as supermarkets and private pension funds; they are also keen to snap up parts of the electricity generation *and distribution system* due for sale later this year.

Mexicans have acquired the state-owned airline, Venezuelans have embarked on joint ventures in fishing and fish meal, while Colombians and Argentinines have made direct investments in a series of manufacturing concerns.

All are betting on strong and sustained domestic growth. GDP plummeted 25 *per cent* in the five years 1988-92, driving per capita income back to around the levels of 1970. But last year, global output expanded 7 per cent – the highest growth in the continent.

In some respects, however, the revival of *foreign investor interest has proved a mixed* blessing. Short-term capital inflows – now running *between $100m and $150m* a month – have kept the sol sharply overvalued. *Exporters* are struggling to survive while export earnings have remained static for 15 years around or below $3.5bn.

The avalanche of dollars from privatisations – now *expected to top $3bn this year* – is paradoxically another headache. By law, revenue from sell-offs is earmarked for poverty alleviation (half of Peru's 22m population live in "extreme poverty"), but the state lacks the managerial capacity to spend such amounts. Additionally, injecting into the economy sums in excess of the $450m already agreed with the IMF would be highly inflationary.

One solution, which may prove politically unattractive *but necessary*, would be to set aside a portion of the windfall against a future Brady plan. Peru has so far made no real overtures to its commercial banking creditors to whom it owes some $7bn of a total foreign debt of $22bn. The commercial debt has not been serviced for 11 years.

Mr Jorge Camet, economy minister, has indicated he would like to embark on a *Brady before the end of 1994*. That, were it possible to conclude negotiations in such a *short time span, should set the* seal on what Peruvians call their "financial reinsertion".

Sally Bowen

Investment capital is scarce

The government's initiatives to privatise state-owned enterprises, *attract foreign* investment and invigorate a fledgling capital market has produced only mediocre results. Foreign investment has still not increased as expected, while the securities markets are experiencing considerable volatile growth.

An economic stabilisation programme *and policy* reform such as the liberalisation of investment regulations have improved the general investment climate in the country. Since President Sixto Duran Ballen took office 18 months ago, tight fiscal policies brought inflation down from nearly 60 to 31 per cent, while *international reserves have* reached the highest in the country's history.

The January 29 petrol rise closed a budget gap caused by *dwindling* oil prices, *returning* confidence in the government's economic programme. Interest *rates fell slightly* and the national currency, the sucre,

ECUADOR

stabilised against the dollar.

The government's fiscal discipline *is beginning* to reap benefits. Besides reducing inflationary pressure, the government has reached a general agreement with the IMF over its letter of intent. Its approval would reopen the possibility of *new bilateral* government loans, which have largely been frozen due to Ecuador's moratorium on serving about half of its US$12.7bn foreign debt – *the highest per capita debt* in Latin America.

"Until the country's external debt *is* renegotiated, investment capital will be rather scarce," said Giovanni Di Mella, general manager of Banco Consolidado. A US$200m multisector line of credit, granted through international *lending agencies and* administered through the National Finance Corporation, is the *principal source of long-term* credit open to the private sector.

Legislation introduced in May 1993 was aimed at stimulating and regulating the country's dormant securities market. Though the Quito and Guayaquil stock exchanges have experienced substantial growth in 1993, Ecuador has not become the new emerging *market some had expected*.

For one, Ecuadorean firms have not exactly flocked to raise capital stocks *in* the market. Ecuadorean companies, often family-owned and closed to public trading, are reluctant *to provide the financial* information now required by law to register in the securities market. *Furthermore, both stock* exchanges are only now acquiring basic services such as a clearing house, *electronic* transfer, and an internationally-recognised custodian bank.

Yet, above all, international *investors have been disillu*sioned by the slow and irregular privatisation process, after its grand *announcement by the*

Continued on page 4

Privatisation winding down

Argentina's great privatisation bonanza that helped revive its capital markets, is winding down. Privatisations are not entirely over. The government still retains substantial minority holdings in the privatised *companies that it will float on* local and international stock markets.

But the financial industry has replaced privatisation as one of the principal magnets attracting international funds

ARGENTINA

to finance Argentina's external deficits. Argentina is expected to need $12bn in foreign capital this year. Much of it will be raised by private companies or channeled into equity markets.

However, the rise in US interest rates in March affected Argentine assets more than other countries in the region, underlining the fragility of its external financing. The assassination of Mr Luis Colosio, Mexico's leading presidential candidate, brought further turbulence, wiping out all this *year's gains in* share prices.

Mr Steven Darch, managing director of Buenos Aires' Mar*iva merchant bank, says:* "Argentina is being bridged by international cash flow. [There *is*] *growth in the local market*, but the real boost has come from international cash flows, a *lot of* which is not stable."

But he says Argentina is beginning to attract "long-term financial and strategic investors *looking for a 7-10 year* horizon". He says these investors, plus entirely new markets will *provide the other end of* the financing bridge.

For instance, the introduc*tion in July of a private pen*sion fund system will bring greater stability and breadth to *the market. Contributors will* soon start channeling $200m-300m a month into financial markets. Baring Securities forecasts pension fund assets at $30bn in 2000. And the World Bank in March approved *a $500m, 15-year backstop* credit line, the first of its kind, to support longer term finance *for the private sector.*

New boutiques have sprung up in response to changing market conditions and established houses are struggling to adapt the new market context. One new boutique is Buenos Aires Capital Partners, set up by former JP Morgan executives, that started out as an adviser to the government and buyers of privatised companies.

Mergers and acquisitions are likely to emerge *as a* staple activity for investment banks. Mr Timothy Gibbs, president of Buenos Aires Capital Partners, notes a "significant increase in interest in Argentina by international companies, as strategic investors *get comfortable* with Argentina and Latin America as a whole".

Recent months have seen a number of acquisitions by multinationals such as Cadbury-Schweppes and Procter and Gamble as well as companies from Brazil, Chile and Venezuela. However, the *M&A* market is unlikely to explode into life. One reason is a lack of targets. Few Argentine companies turn over more than $100m a year. And owners, often families, give up control of their companies only as a last resort.

Inevitably though, increased competition, *lack of capital* and modern management techniques are likely to force a far greater restructuring of the corporate scene than hitherto.

Linked to this is the resis*tance of private companies to* raise capital on the equity market. Little more than a dozen *companies have gone public in* the past three years, even though investors will pay high prices for almost any stock. Many medium-sized companies are unviable, while those with a future are in the throes of restructuring and not ready for the market.

For the same reason, few *Argentine companies* have imitated Chilean and Mexican companies in approaching the US equity *market with ADR* programmes. A Buenos Aires banker comments that "ADRs *will pick up speed. The first* phase is the placement of debt, which is where we are now. Next will come more *IPOs* locally. Only later on are we going to see a lot of ADR issues".

Hyperinflation in 1989-90 wiped out companies' liabilities, giving them considerable *headroom to* raise debt. The CNV securities commission authorised companies to issue $523m in *bonds in 1991*, $1.88bn in 1992, and $5.3bn last year. This has raised concern about deteriorating credit risk and poor use of funds, although optimists insist that Argentine companies are still undergeared by international stan*dards.*

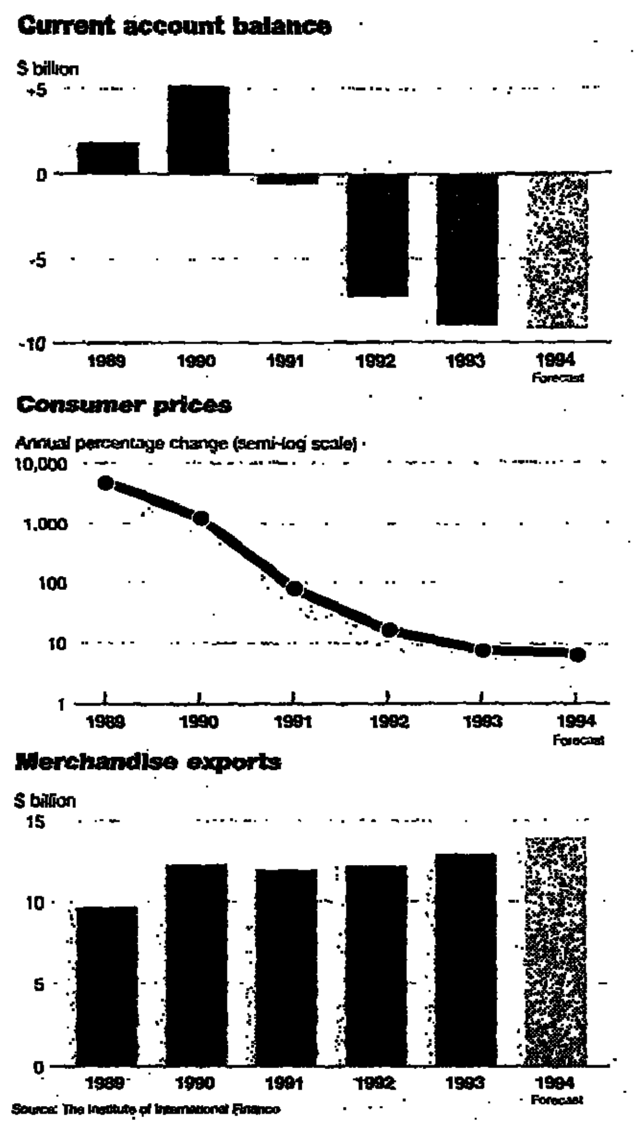
Decades of neglect have left Argentina with a deficient *infrastructure, which will* require substantial investments in future years. But Mr Gibbs says banks are still unwilling to make long-term loans to Argentina. This could mean that capital markets will play a greater role in project finance than elsewhere.

However, as Argentine securities approach classification as investment grade, long-term bank finance may become available. *Projects may* be financed through a blend of conventional lending and *imaginative capital market* instruments. The brave new world of Argentine finance will not be for everyone. Senior staff at even large Argentine banks often have a poor grasp of high finance.

Argentina has 170 banks and *an equal number of broker*ages, few of which have much of a future. Too many are *small and under-capitalised,* presenting a constant threat to the wider market.

Argentina still lacks a credible market regulator and systematic enforcement of disclosure and trading rules. The sacking in March of Mr Martin Redrado as president of the CNV on political grounds sent *a disquieting signal to the* international financial system.

John Barham



Crucial test for sleeping giant

With a government anti-inflation plan and general elections, many analysts believe 1994 will be a crucial test of whether Latin America's "sleeping giant" is prepared to wake up and reform.

While the rest of the continent has beaten back inflation, Brazilian prices soared by about 2,500 per cent last year, twice the 1992 rise, and are now running at a rate of more than 5,000 per cent a year.

Under the plan, the inflation rate will probably fall substantially, at least temporarily. This stabilisation, although accompanied by high real

BRAZIL

interest rates, is expected to increase consumer demand and help gross domestic product to grow by 2-4 per cent this year compared with nearly 5 per cent last year.

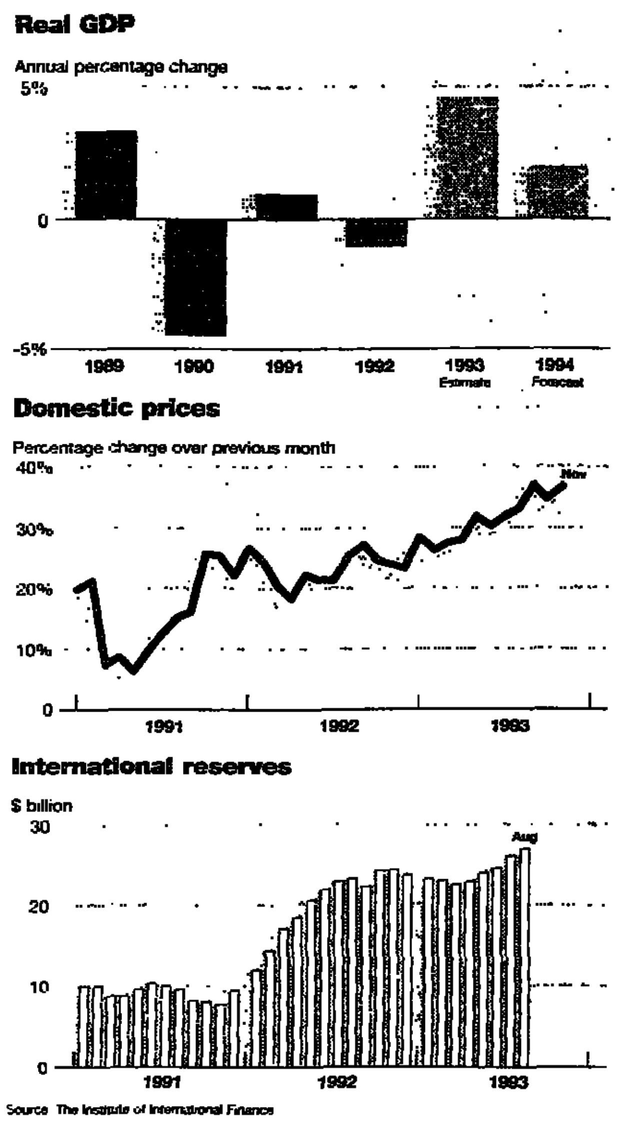
The stock market is likely to be highly volatile, particularly in the run-up to elections.

"Brazil is such a special case," says Roger Palmer, director of emerging markets at brokers Kleinwort Benson, referring to the uncertainties surrounding the continent's biggest economy. He adds that anyone investing there "is taking a complete gamble on whether the plan works".

Gambling on Brazil paid off last year, when Sao Paulo's stock exchange index was among the world's best performers, more than doubling in dollar terms in spite of the increase in inflation.

That could fall dramatically under the plan, which involves a balanced federal budget and a proposed dollar-linked currency anchored by the central bank's record foreign exchange reserves of about $37bn. The market thinks the new currency will be introduced in June or July.

But the doubt is whether lower price rises can be maintained. Most analysts believe that to achieve long-term stability Brazil must reform its economic and political structure. For example, under the constitution the government must pass on most revenues to states and municipalities. The resulting deficits have been financed by short-term debt paper that fuels inflation.



Source: The Institute of International Finance

For this to be changed and for reforms in the tax and welfare areas, as well as more privatisation, the constitution must be altered. A constitutional review began this year but seems likely to be postponed until 1995, partly because of problems in obtaining congressional quorums in an election year.

If the review is postponed, structural changes will depend in large part on who wins the presidency and whether he has support in Congress. The front runner is Mr Luiz Inácio "Lula" da Silva of the left-wing Workers' Party. Mr da Silva is regarded with suspicion by the financial markets, which fear a halt in privatisation and a slowdown in moves to modernise the economy along neo-liberal lines.

The markets want finance minister Fernando Henrique Cardoso to run for president, in the hope he can build an alliance against Mr da Silva. If the plan works and Mr Cardoso looked set to win the stock market would "explode", say brokers. Investment bank CS First Boston predicts that equities could double again this year. On the other hand, problems with the stabilisation plan and a strong campaign by Mr da Silva could lead to heavy losses.

In the first quarter, Brazilian stocks appreciated but were then affected by the increase in US interest rates and by a partial withdrawal from the market by foreign investors. Despite this, net foreign investment in the capital markets remained positive, if reduced, compared with record inflows last year.

In 1993, foreign investment in the capital markets, mainly in equities, was $5.5bn, compared with $1.3bn the year before. Eurobond issues hit record volumes and there was a surge of capital into the fixed income market thanks to interest rates of about 20 per cent in real annual terms.

Brazil's success in sealing the Brady plan debt restructuring agreement with its creditor banks this year was seen as important in the long run in integrating the country with world financial markets but, because of the rise in US interest rates, an increase in the volume of Brazilian Eurobonds is unlikely in the short term.

Mr José Eduardo Martins, a director at investment bank Patrimônio, predicts that more Brazilian companies will seek to launch American Depositary Receipts to raise capital this year since, with last year's stock market growth, many shares are approaching or above the company's book value. Most of the equities growth last year was fuelled by hopes for a broader privatisation programme and confidence in Mr Cardoso along with a belief, particularly by foreign investors, that Brazilian shares were undervalued. Analysts point to companies like Telebrás, the government-controlled telecom company, whose shares are still quoted below book value.

Ms Cristina Vervloet, a director at brokers Socimer do Brasil, says the local market has become much more influenced by foreign investors, even though the foreign share of trading is comparatively low, at 15-20 per cent.

While being welcomed in the stock market, foreign investors have had the door shut to many local fixed income instruments and the central bank is expected to increase a new tax on fixed income instruments if there is a flood of foreign capital attracted by ever higher interest rates under the anti-inflation plan. In the first quarter, real interest rates on the overnight market were 30-40 per cent.

Patrick McCurry

Rich in natural resources

Bolivia stands at the heart of South America and is a country rich in natural resources, yet little is known save for a mistaken image abroad that it continues to languish amid high inflation and political problems.

Nothing could be further from the truth. Bolivia implemented a landmark structural adjustment plan in 1985 which reduced 20,000 per cent inflation to single figures in under a year.

BOLIVIA

Gonzalo Sanchez de Lozada, the planning minister who masterminded Bolivia's anti-inflation programme, returned to public office last August as president with a bold programme to capitalise six of Bolivia's leading state enterprises. This will involve handing over the administration of the state companies – in the areas of telecommunications, oil and gas, rail and air transport, smelting and electricity – to foreign investors as well as the free distribution of 50 per cent of public sector company shares among voting age Bolivians. The government reckons the scheme will attract US$8bn in foreign investment over the next four years and result in a 7-8 per cent rate of GDP growth by 1997.

One project that has caught the eye of foreign investors is the construction of a gas pipeline from Bolivia across the Matto Grosso to the industrial city of Sao Paulo in Brazil. The Brazilian government's decision to end the monopoly of Petrobras in Brazil – a condition set by the World Bank – paves the way for the signing of this gas contract with Bolivia. The deal will ensure Sao Paolo receives 8m cu m of Bolivian natural gas a day to power six hydroelectric turbines which will meet 30 per cent of the city's energy needs.

Bolivia's state oil and gas producer YPFB hopes to complete the US$2bn funding for the pipeline by August, when the project will be put up for international tender. Besides selling gas to Argentina and Brazil, Bolivia is looking to sell 14.5m cu ft of gas a day to Paraguay for industrial and domestic use.

Carlos Miranda, Bolivia secretary for hydrocarbons, says the value of YPFB, which is one of the state monopolies up for capitalisation, ranges from US$1.5bn to US$2bn, but this figure could rise once the project to export gas to Brazil gets closer to coming on stream in 1997. YPFB currently accounts for half of the Bolivian state revenues. Several foreign companies involved in the gas industry including BHP, Tenneco, British Gas, Enron and Total have expressed interest in the project.

Mining sector investment in 1994 will be between US$40m and US$50 according to Jaime Villalobos, the national secretary of mining. Investment in the sector virtually ground to a halt until the Inti Raymi gold mining corporation ploughed US$150m into its operations in 1992. Mining sector investments totalled US$45.8m in

A gas pipeline to Sao Paulo has captured foreign attention

1993. Investor interest declined due to depressed world market prices and a failed contract involving FMC Lithium Division.

Mr Villalobos has now devised a medium-term plan to invest US$350M in Comibol's mines through a series of "joint ventures". Comibol will move out of production to oversee the administration of joint ventures contracts. These contracts will serve to attract investment, technology, create new jobs, and raise tax revenues.

In a country still sensitive about privatisation, Mr Villalobos defined "joint venture" as "the participation of the private sector in an area of production from which the state is pulling out". Comibol is seeking foreign and domestic companies to exploit rich untapped reserves at Huanuni, using open cast mining methods.

Until these projects bear fruit, Comibol will continue to operate and produce at its only profitable mines: Colquiri, Huanuni and Caracoles.

Mining exports have throughout Bolivian history set the pattern of the country's external trade, first with silver, then tin and more recently with a range of mining products. Non traditional exports appeared from nowhere in the 1980s and their rise to the top of the list of exports will herald a new phase in foreign trade.

Non-traditional exports totalled US$370m in 1993 – but unofficial figures say the figure could be as high as US$300m. Bolivia exported minerals worth US$366m in 1993, although this figure has been revised to around US$335m by the Central Bank.

Winston Moore

'Not yet emerging,' is the verdict

Central America has come a long way from the investors' wasteland of a few years ago. But opportunities are thin compared to other emerging markets, and bureaucratic obstacles can be formidable.

"Not yet emerging," is how one financial analyst describes Guatemala the largest economy in the region, where a guerrilla conflict persists after 33 years.

The removal of former President Mr Jorge Serrano, who failed to seize dictatorial powers last May, has slowed privatisation plans, and the new government has lurched from one political crisis to another.

The recent elections of two social democrats, Mr Jose Maria Figueres in Costa Rica, and Mr Carlos Roberto Reina in Honduras, in the region's most stable countries, suggests less future emphasis on liberalisation, and more on social spending.

In El Salvador, Mr Armando Calderon Sol of the governing right-wing Arena party, who will probably win a presidential run- off this month, is expected to continue the liberalising policies of his predecessor which have awakened investor interest.

But serious problems on implementing a United Nations-sponsored peace agreement could threaten political stability.

Seemingly chronic instability in Nicaragua, which has not recovered from the divisive affects of a civil war in the 1980s, has even put off Central American investors. Last year was the first in almost a decade that the Nicaraguan economy grew.

In Panama, which has recov-

CENTRAL AMERICA

ered its importance as a financial centre following the US invasion to oust general Manuel Noriega in 1989, the favourite to win presidential elections in May is Mr Ernesto Perez Balladares, a former finance minister, from General Noriega's party.

But most countries are undergoing World Bank structural adjustment programmes, and have standby agreements with the International Monetary Fund which have reduced inflation, cut tariffs, and moved towards more market-driven economies with freer exchange rates.

Mainly repatriated private capital has flowed into the region, attracted by high interest rates, more stable currencies, and more fluid currency regulations, to underwrite the large trade deficit.

But the fledgling markets are dominated by government paper, and few companies have ventured beyond issuing short-term debt. A number of privatisations, mainly of small state companies, have taken place over the past few years.

There is residual suspicion towards Central America whose high political risk, with the exception of Costa Rica, has limited long-term capital investment. But some niche opportunities providing high margins exist, says Jeffrey Erkelens from the Grupo Antigua, an investment consultancy. "You can't sell Central America to large institutional pension funds, but there are opportunities for venture capital and private equity funds." The local private sector is lobbying for privatisation of energy generation, telecommunications and transport services, which would help to develop capital markets, and provide opportunities for foreign investors.

In El Salvador, Mrs Mirna Marques de Lievano, the planning minister, says $1bn is needed to invest in the energy sector over the next five years. There is a perception in governments throughout the region that foreign private capital will be needed to modernise poor infrastructure.

The Honduran government is making moves to privatise Hondutel, the state telephone company, one of the few public utilities that makes a profit. There are similar intentions in Nicaragua, and in El Salvador. But in Guatemala a recent proposal for securitisation of future account receivables of international calls, broke down through a combination of government indecision and union pressure.

For Mr Gerardo Zepeda, a senior official at Sieca, a regional technical organisation which promotes integration, recent advances towards free movement of goods and capital within the region is a new incentive. "The market is bigger now – about 30m people with combined GDP of $35bn," he says.

But Mr Zepeda admits that capital intensive industry is unlikely to locate to Central America, until infrastructure and services are improved. And in spite of progress, for example on intellectual property rights, laws and incentives for foreign investors are still inadequate or unclear in most countries, he says.

Edward Orlebar

New incentives for investment

Caribbean countries are seeking new ways to attract foreign economic support, following the unenthusiastic response to their efforts to lure private foreign investment.

With increasing uncertainty over the future of markets for traditional commodity exports, and growing reliance on fickle tourism, several governments have radically reshaped their

CARIBBEAN

economic policies, implementing wholesale deregulation, opening their markets, removing exchange controls and floating their currencies.

Regional economists say that the response by foreign investors to these steps has been disappointing, especially for the governments of the Dominican Republic, Guyana, Jamaica and Trinidad and Tobago. Flows from traditional sources in North America and Europe have been diverted to more attractive places, including eastern Europe, the far East and Mexico, say regional economists.

While the economies of some Caribbean countries recorded fair levels of growth last year, the performance of most was disappointing. In reviewing the performance of regional economies in 1993, the Caribbean Development Bank said that growth of between 7.5 per cent and 3.5 per cent in gross domestic product was recorded by several countries, including Guyana, the Cayman Islands and Belize. Lower than expected earnings from banana exports led to low growth in the Windward islands of Dominica, Grenada, St Lucia and St Vincent.

Jamaica recorded low growth because of marginal expansion in bauxite and agricultural commodities, while Trinidad and Tobago's economy contracted because of the weak state of the international market for oil, the country's main export. The National Planning Office of the Dominican Republic said that the economy grew last year by 2.7 per cent.

The prospects for improvement in the short term depend on the performance of the industrialised economies, mainly the US, the region's main trading partner, and the European Union.

Government planners and economists say that if the signs of improvement in some OECD economies can be translated into sustainable growth, this will help to lift Caribbean economies out of their lassitude.

In the meantime, several governments are hoping that their move towards economic deregulation, including the divestment of a range of state enterprises, will increase investment flows. Power companies, hotels, telecommunications firms and airlines are being offered for sale to foreign and local investors.

The divestment has given a fillip to regional stock exchanges, mainly in Barbados, Jamaica and Trinidad and Tobago. Coinciding with the opening of regional economies, this has stimulated the development of the financial markets. Foreign and local investors are becoming increasingly involved in the flotation of issues and the underwriting of privatisation issues. Unit trusts are increasingly attractive.

There remain, however,

In Jamaica the bond market has been killed by inflation

some obstacles to the expansion of capital markets in the region. In Jamaica the bond market has been killed by inflation which was 30 per cent last year. The bond market is lively in Trinidad and Tobago, where inflation last year was 4 per cent, and this helped to take up the slack in the equity market.

The market for equities in the region is underdeveloped. While some private issues are favourably received, many companies are highly geared, continuing to finance their operations through debt rather than equity. The capital markets in the region are dominated either by short-term, attractively priced government paper, on the one hand, and instruments which are held as longer term investments, with their owners unwilling to trade. This is compounded by the absence of a secondary market in most countries in the region.

Opportunities for investing in the Caribbean will improve later this year with the establishment of a $50m investment fund for the 13 members of the Caribbean Community (Caricom). The fund's investments are expected to include equities in all Caricom member countries, with a portfolio which will cover listed and unlisted stocks, including unquoted companies wanting funds for expansion and likely to be listed on the stock market.

It will undertake equity investments in sectors such as export and domestic agriculture, tourism, construction, utilities, financial services and real estate development, but with more attention to those undertakings involved in exporting to hard currency markets.

Canute James

Investment capital scarce

Continued from page 3

government, said Arturo Quiroz Riumallo, executive director of the Quito Securities Market. Poor management in the sale of state shares by the government has led numerous investors to abandon Ecuador's securities market, he says.

The total volume of securities traded in Quito and Guayaquil in 1993 equalled US$242m. Until 2000 both buyer and seller of the first issue of stocks receive a tax credit worth 50 per cent of the nominal value. Still to go on the block are public shares in a hotel, a shipping company and cement companies. The total divestiture may amount to US$170m by next year.

Whether there are bigger fish to be fried in Ecuador will depend on Congressional approval of specific legislation required to privatise the telecommunications, electricity and petroleum sectors. With the proper legislation in place, the first so-called strategic sector company to go on sale would be the telephone company Emetel, worth about US$1.6bn. Yet, given the president's lack of popular and Congressional support, the odds are against a prompt approval.

Meanwhile, a key reform of the financial sector is in the making. The law on financial institutions to deregulate the financial sector, increase competition among banks and allow for increased foreign capital inflow, including mergers with local institutions, will be sent to Congress shortly. At the same time regulations over banks' offshore operations will be tightened.

Raymond Colitt

Market capitalisation (US$m)

Market	Nov 1993
Argentina	31,815.8
Brazil*	95,490.5
Chile	39,319.2
Colombia	7,670.7
Mexico	168,685.2
Peru	4,578.9
Venezuela	6,179.5

Source: World Bank

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REGIONAL ISSUES

Stephen Fidler looks at trade accords

Agreements may hinder growth

Those arguing that Latin America is set for substantial growth into the 21st century often cite the rapid move of the region towards free trade in support of their case.

There is little doubt that trade within the western hemisphere is growing rapidly, if from a low base that has characterised the region's trade relations in the past. The proportion of the region's exports accounted for by other Latin American countries jumped to 16.7 per cent in 1992, up from 10.8 per cent in 1990. US exports to Latin America have doubled in seven years, rising to more than $80bn in 1993.

Yet this growth stems largely from the unilateral reduction of trade barriers in nearly every Latin country rather than the complicated patchwork of trade agreements which has grown up in the region in recent years.

Furthermore, some proponents of free trade are beginning to worry that this proliferation of agreements may hinder further trade growth and provide obstacles to the development of a free trade zone in the whole western hemisphere.

Far from being the building blocks of hemispheric economic integration, sub-regional free trade agreements "are more likely to be stumbling blocks," argues Mr Moises Naim, senior associate at the Carnegie Endowment in Washington and a former Venezuelan minister.

One concern is that so many of these agreements lack common external tariffs, requiring in their place complicated agreements on rules of origin. The aim of rules of origin is to prevent the country with the lowest tariff acting as the conduit for all exports from outside the free trade area,

They have a potential, however, for developing into a bureaucratic nightmare and being used as a proxy for protectionism. In this way, these agreements could water down the benefits of generalised lower tariffs, and herald a return to the inefficient and usually corrupt customs operations from which the region moved in the late 1980s.

Where trade agreements do carry provisions for common external tariffs, there have usually been difficulties. Mercosur, which brings together Brazil, Argentina, Paraguay and Uruguay, was forced to agree a list of important exceptions to the common tariff. The Andean group of Venezuela, Colombia, Ecuador, Bolivia and Peru, meanwhile, has to cope with the supposedly temporary withdrawal of Peru, lower tariffs negotiated for Bolivia and the new Venezuelan government's suspicion of neighbouring Colombia and its general distrust of free trade.

US exports to Latin America have doubled in seven years

The Caribbean Community's attempts to lower its common external tariff have been beset by compliance problems, while the common external tariff proposed in 1997 for the Central American Common Market is likely to be selective.

But these are not the only concerns. A proliferation of trade accords could marginalise some states by encouraging investment to concentrate on a few "hub" countries and by developing trade links between the most dynamic economies, leaving others by the wayside.

Even the prospect of free trade with the US does not necessarily offer the benefits to Latin American economies that are commonly supposed.

A 1992 analysis by two World Bank economists, Refik Erzan and Alexander Yeats, argued that the trade benefits for most Latin counties – apart from Brazil and Mexico – of free trade with the US will anyway be small. This is because most Latin America products – predominantly raw materials – enter the US with low tariffs already.

The analysis ignored the dynamic trade effects – the possibility that an open US market might encourage Latin economies to move "downstream" over time, exporting less in raw materials and more value-added products.

Neither could it examine the other benefits – the insurance effect of being allied to the US if the trading system degenerated into blocs and the increased investment flows that would possibly emerge from the longer-term stability in economic policy that would be inferred.

However, free trade agreements with the US or accession to the North American Free Trade Agreement between the US, Mexico and Canada are unlikely to be easy to achieve.

While US officials have privately raised the question of whether Mexico will be willing to let other Latin countries into its exclusive Nafta club, the US will in fact dominate decision-making.

In July, Washington will name those countries eligible to negotiate free trade agreements with the US. The nomination does not commit the US to negotiations and is silent on whether accession to Nafta or a bilateral trade accord with the US is the right way forward. The list will be next reviewed in 1997.

Trade will also be on the agenda for the Summit of the Americas meeting planned for Miami in December, and the Clinton administration has repeatedly indicated its willingness to talk next with Chile about free trade agreements.

But it is far from certain that the administration, which expended much political capital in pushing Nafta through, will want to spend more on a relatively minor policy priority. Further, apart from Chile, it is not clear that other countries meet the conditions the US now apparently believes necessary to join the Nafta club – in particular labour and environmental requirements.

Can Latin America finance its privatised infrastructure? **Stephen Fidler** discusses the problems

Possibly far more talk than action

One of the most dramatic signs of the shift towards market-orientated economic policies in Latin America has been privatisation programmes on an unprecedented scale.

Yet the shifting of government assets and responsibilities to the private sector has raised a number of important questions. One of the most pressing is how infrastructure development can be financed. This is more than a financial question: the debt crisis of the 1980s and the consequent budgetary stringency resulted in a deterioration of infrastructure which in many countries represents a real obstacle to growth.

Many of those involved in project finance believe that pure privately-financed infrastructure projects will be few and far between. Mr John Flora, transport specialist at the World Bank, told a Canning House conference in London last month : "We are not going to see many pure private sector financings. It's going to take a partnership of government, the private sector and third party intermediaries."

While the governments of Latin countries have in many cases moved rapidly to privatise assets – with the backing of the World Bank and other development institutions – these institutions have themselves moved slowly to accommodate the changes.

The World Bank is forbidden by its statutes from lending without government guarantee, and until now, convention has dictated that the InterAmerican Development Bank lends only to governments.

The World Bank has a private sector arm – the International Finance Corporation – but it is too small to handle the demand for infrastructure finance from the region, let alone that coming from rapidly-growing economies in Asia.

Before he stepped down last year as head of the IFC, Sir William Ryrie, argued in a speech in London that "in the World Bank group, the balance between state-funding and private-sector-supporting activities needs to be reconsidered". Some ideas had been put forward for a transfer of resources from the World Bank to the IFC and these needed careful thought, he said.

The subject of providing finance for infrastructure has been preoccupying senior bankers and finance officials, but the results of their deliberations have not yet emerged. Export credit agencies have been talking under the auspices of the Berne Union over how project finance can be provided, and Britain's Export Credit Guarantees Department has issued preliminary proposals for more flexibility.

The Institute of International Finance – the Washington-based think tank owned by international banks – has been holding talks with the World Bank, the IADB and the US Treasury, among others, to find ways to bring banks into project financings.

Mr Anthony Bottrill, deputy-managing director of the Institute of International Finance, said: "Private borrowers are going to become increasingly important and it's important that the multilateral development banks adapt accordingly. What we'd like to see is each creditor and investor group playing a role that reflects its comparative advantage.

"Private lenders should be looking at commercial risk, but they are not as well placed to go with political risk and transfer risks. The official lenders should use their guarantee authority to guarantee against political risk."

This would involve the official lenders using much more fully than in the past guarantee powers that shareholder governments have been unwilling to see used.

Mr Bottrill said much of what the banks are seeking are contained within the existing Expanded Cofinancing Operations programme of the World Bank. "The ECO programme contains within it most of the features but it hasn't been used actively enough." The reason for this in part has been the reluctance of government shareholders to push the institutions into private sector lending, in part because of concern about the effect this would have on their credit rating.

These worries have been reflected in discussions about increasing the capital of the IADB. The IADB will in coming years be the only official net provider of finance to the region as, barring a new financial crisis, Latin American countries will be repaying the World Bank in net terms.

However, European shareholders, in particular, have been anxious to keep down the level of funding for private sector infrastructure development. Discussions continue but, while the bar to private sector finance will be lifted, loans to the private sector may well be limited to 5 per cent of overall new lending, some $400m-$500m a year. Those countries that have privatised most will receive a disproportionate amount, but even supposing this lending will act as a catalyst for private sector financing, the amounts will still be small compared to infrastructure demands.

Mr Alberto Paz, chief of the InterAmerican Development Bank's transportation and communication division, said some projects have been delayed while the discussion continues. "We have a lot of projects that have been delayed in the expectation that this facility will be available."

But slow movement by official lenders is not the only reason why, in the words of Mr David Suratgar, deputy-chairman of Morgan Grenfell International, "there is possibly far more talk than action".

Banks remain inhibited from lending for a variety of reasons. Many still harbour memories of the 1980s debt crisis and are worried by the country risk.

Many banks no longer have a presence in Latin America to monitor their lending. Furthermore, said one British banker, "project finance is very time-consuming and a lot of banks are concentrating on the Far East – that is where the deals get done."

The growing importance of the securities markets and institutional investors may to some extent offset the reticence of the banks. Last year, for example, a group of energy companies launched a fund – along with the IFC – aimed at investment in private power generating capacity in Latin America. The targeted size of the Scudder Latin America Trust for Independent Power was $500m.

Mr John Richardson, associate director at Nomura International in London, said: "A great deal of emphasis will be placed on securitisation as a means of financing. Demand far exceeds the available supply and we are going to see a wider range of instruments."

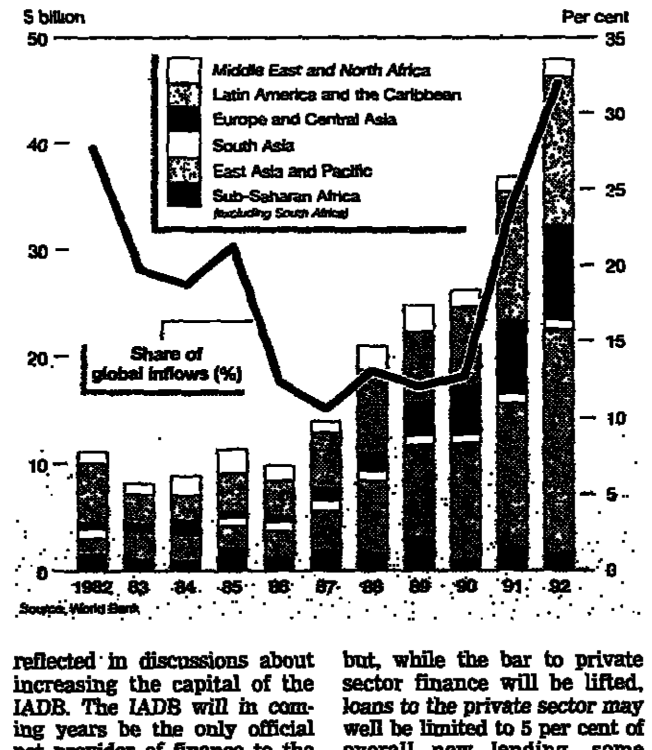
However, banks will still have an important and unavoidable role in the financings: "During the construction phase of the project, you are not going to be able to use bond finance; construction finance is the realm of banks. But once the construction is complete and it starts generating revenues, then securitisation comes into its own. The banks will be phased out and their balance sheets freed again."

Principal destinations of foreign direct investment 1989-92 (US$m)

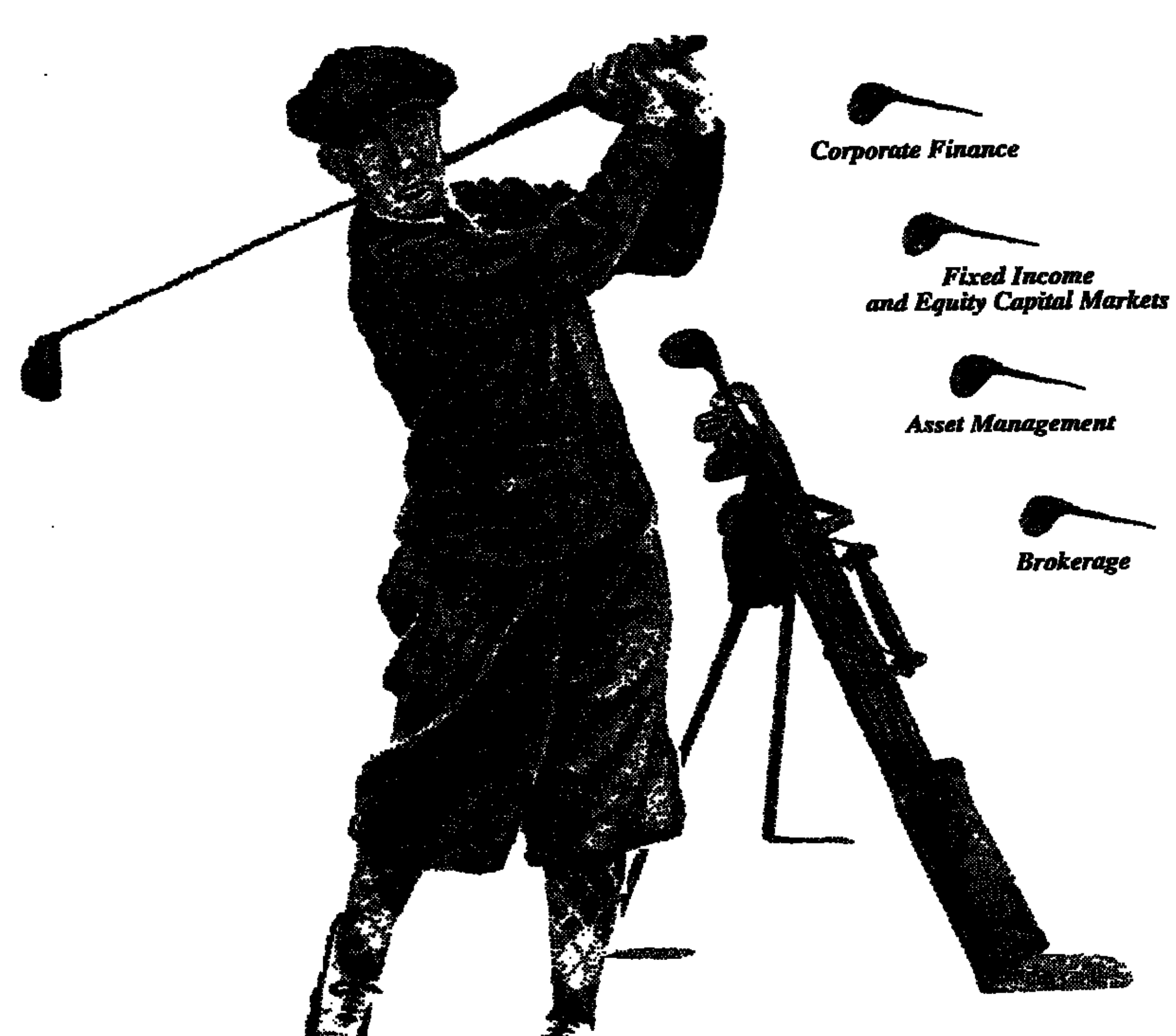
Country	1989	1990	1991	1992	Total
China	3,393	3,487	4,366	11,156	22,402
Mexico	3,037	2,632	4,762	5,366	15,797
Malaysia	1,668	2,333	4,073	4,118	12,191
Argentina	1,028	1,836	2,439	4,179	9,482
Portugal	1,737	2,611	2,449	1,873	8,669
Thailand	1,776	2,444	2,014	2,116	8,349
Indonesia	682	1,093	1,482	1,774	5,031
Brazil	1,267	901	972	1,454	4,594
Nigeria	1,882	588	712	897	4,080
Venezuela	213	451	1,916	629	3,209
Korea, Rep	758	715	1,116	550	3,139
Turkey	663	684	810	844	3,001
Hungary	0	0	1,462	1,479	2,941
Egypt, Arab Rep	1,250	734	253	459	2,696
Colombia	576	500	457	790	2,323
Others	4,780	5,332	7,593	9,584	27,290
Total	24,710	26,340	36,876	47,268	135,194

Source: International Monetary Fund and World Bank estimates

Foreign Direct Investment in developing countries

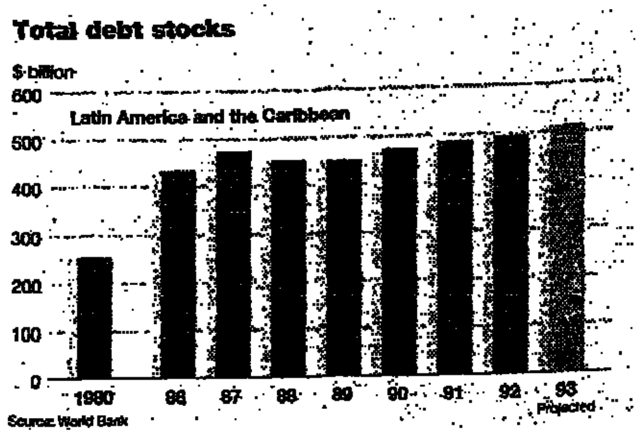


Source: World Bank



Does the region have a current account problem? **Stephen Fidler** discusses the issues

Question mark over debt remains



The fall, when it came, was quick. The rapid plunge in the price of sovereign debt and Brady bonds in February and March has raised questions in the minds of some economists about the sustainability of the region's current account deficits. Put another away, the question posed was whether Latin America had truly escaped its debt problem.

"If the present disruption in the market results in more than a temporary slowdown in capital flows to Latin America, concerns could re-emerge about the sustainability of the region's current account imbalance," said Mr Peter West, economic adviser to the London-based West Merchant Bank last month. Those most vulnerable to such worries would be Argentina and Mexico, given the size of their current account deficits, he said.

The sharp drop in secondary market prices implied a sharp rise in the cost of finance for Latin American borrowers. Although the price collapse was less devastating in the Eurobond market where new finance is raised, that market appeared likely to remain all but closed for some time to new Latin borrowers.

Most countries have a significant cushion in foreign exchange reserves

Yet, some economists say the market uncertainty – at least until the assassination of the Mexican presidential candidate Luis Donaldo Colosio on March 23 – had more to do with the heavy inventories being carried by sovereign debt dealers ahead of the rise in US interest rates in February than with worries about rising US interest rates.

Mr Paul Luke, research head at Morgan Grenfell's debt trading arm, said the rise in US interest rates should not be a source of concern. Inasmuch as it reflected the strength of the US economy, Latin America would benefit. And if it reflected the US Federal Reserve's concern about the strength in commodity prices – up 8 per cent since October – the region would also be a prime beneficiary.

Moreover, much of government debt is at fixed rates, particularly in those countries that have secured Brady restructurings. In addition, equity inflows of portfolio and foreign direct investment have been more important than in the 1970s and early 1980s.

Most countries also have a significant cushion in foreign exchange reserves. "I don't think there is any particular concern about funding the current account deficits," said Mr Lawrence Brainard of Bankers Trust. "Foreign direct investment is increasing in Mexico, for example, where if anything they have too many inflows. It's why the exchange rate is so volatile – but reserves went past $30bn towards the end of February."

In Argentina, too, reserves rose from $10bn at the year end to around $13.6bn – it appears that funds have returned to the country to take advantage of the interest rate premium of Argentine pesos over dollars. Meanwhile, Brazil's reserves have risen to $35bn, and it should soon be able to reduce its debt service bill through a Brady bank debt restructuring.

Ms Marilyn Skiles, economist at JP Morgan, argued in a February research report that other factors had significantly lessened the vulnerability of the region to debt problems. The investor base was more diversified than in the early 1980s and may not move in unison as banks did then.

Unlike in the earlier period, private sector entities rather than the public sector have been the main borrowers, reflecting the improved fiscal discipline in some countries.

However, this fiscal discipline is not universal. In Venezuela, there are worries about the government's budget deficit – reflected in the price of that country's Brady bonds, yielding at the time of writing more than 19 per cent. Brazil may make significant strides with its current economic plan towards fiscal balance – but that has not been achieved yet. Furthermore, other public entities – such as the states in Brazil – are making demands on the capital markets.

But the main fear is the sustainability of the current account deficits, given there is little evidence so far that capital inflows have expanded the export base of Latin countries. Ultimately, only through increased exports will increased debt be serviced.

Ms Skiles pointed out that most Latin countries' capacity to pay their debts had improved by some measures – such as the ratios of debt to GDP and interest payments to exports. But one important measure – debt to exports – had not improved except in Chile and to a lesser extent Mexico. "The limited improvements in Latin America's debt-to-export ratios are due in large part to the relatively poor performance of exports from the region, particularly in the past few years," she said. "While current account deficits are readily financed, because of the availability of external capital, the deterioration in their external balances suggest some Latin American countries may find themselves unable to generate sufficient foreign exchange earnings at some point in future."

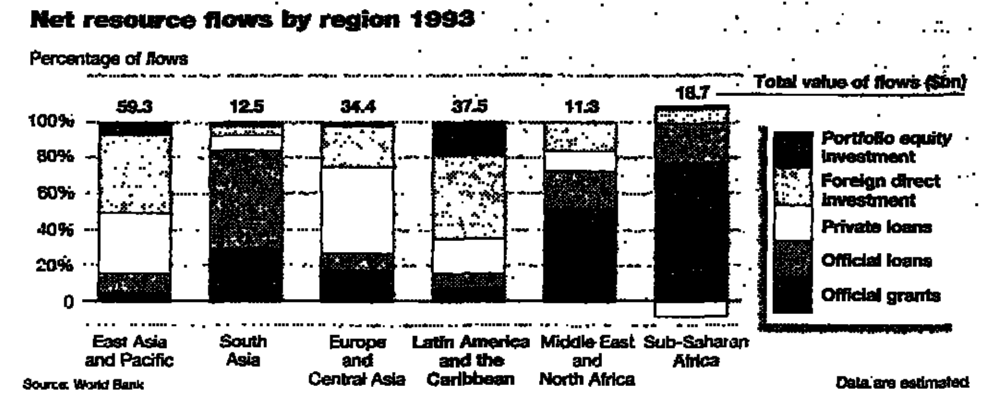
Mr John Clark, an economist at the New York Federal Reserve Bank, argued in the bank's latest quarterly review that results of the Brady debt restructurings had been impressive, largely because it established a more stable long-run financial framework than did the previous approach.

But he also concluded that the Brady approach "did not achieve significantly more near-term cash flow relief for debtors than the previous approach" and that "debt service obligations remain heavy for the Brady countries".

The embrace of free trade has forced the continent's companies to think regionally

Cross-border ventures expanding

Net resource flows by region 1993



Latin America's rehabilitation in the international capital markets has been accompanied by a growing interest in the region by companies from the industrialised world. Faced with mature markets at home and the potential for fast growth in the developing world, they are looking overseas.

The trend has been reflected in gradually rising flows of foreign direct investment into the region. It has also been accompanied by a less-noticed but growing tendency of companies from within the region to seek investments in countries elsewhere in Latin America.

It is Latin America's embrace of free trade that has forced the continent's companies to think regionally. A decade ago they rarely considered investing outside their own borders. Generally less productive than their international competitors, and with a captive and profitable market at home, there was never any need.

Now, they have to compete against the world's most efficient producers to survive. For many, this has meant forming joint ventures with international rivals, or expanding into nearby regional markets by buying up competitors.

Access to cheaper financing has given regional companies the possibility of launching bids and buying stakes that would have been impossible a few years ago. Government regulations that prohibited inward and outward foreign investment have been scrapped, opening new opportunities to Latin and other foreign investors.

Companies from Mexico and Chile, the countries that began the continent's pro-market economic reforms a decade ago, have led the way. Many Chilean companies reckon they are too small to survive in the global market place and have thus expanded into Peru and Argentina.

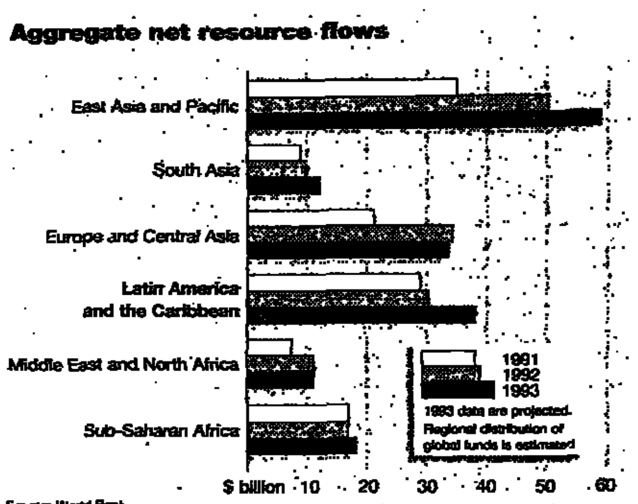
Mexican businesses have the financial muscle to grow and find new markets, and believe that by so doing they will benefit from economies of scale.

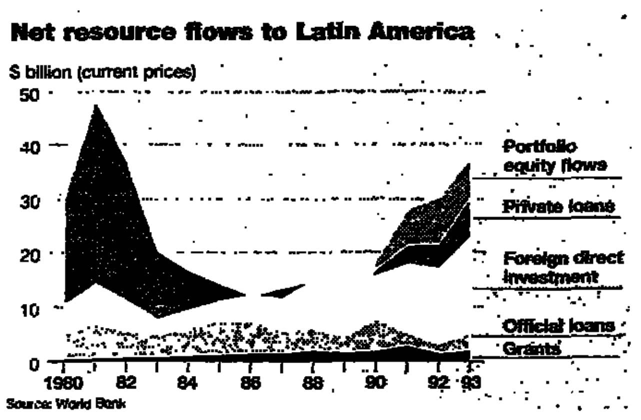
The trend was started by Vitro, Mexico's dominant glass company. Back in 1989 it spent some $900m (including debt) on acquiring Anchor Glass, a US rival.

The acquisition turned Vitro into one of the world's largest glass companies, better able, in the opinion of its managers, to fend off competitors in the domestic market.

Since then scores of other Mexican companies have followed Vitro's lead. Synkro, a Mexican textile company, last December paid $233m for Kayser-Roth, a US textile producer; Dina, a bus and truck assembler, earlier this year paid in equity more than $336m for the US Motor Coach Industries International, making it the largest bus producer in the Americas; Mr Bernardo Dominguez, the head of DSC, a privately owned tourism to construction outfit, paid with partners $708m for Westin hotels in February.

Cementos Mexicanos, the cement giant, and Televisa, the media giant, have targeted both North and Latin America as growth areas for the company. Cemex has taken the decision as part of its strategy of becoming a global cement company, and Televisa largely because of synergies it sees between different Spanish-speaking markets.





In positioning itself as the Spanish language's dominant media company, Televisa has taken significant stakes in Univision, the US Spanish-language network, TGV, a Chilean network, Compania Peruana de Radio Difusion, a Peruvian television network, and has a joint venture in Argentina.

Televisa reckons such stakes will enable it to make higher profits from broadcasting its highly successful television programmes, that have long dominated Spanish-speaking Latin America. Televisa is now expanding cable television in the region, suggesting it has further to go.

Apart from an important acquisition in Spain, Cemex several years ago bought cement companies in the south of the US, and recently purchased cement companies in Jamaica and the Bahamas. It also has a joint venture with the Cuban state producer. Last March it paid an estimated $300m for a controlling stake in Venezuela's largest cement producer.

Cemex believes that Latin America is the natural area of expansion for the company, given the similarities in culture and language with Mexico, and prospects for high economic growth.

It is now being followed by Mexico's largest construction companies, Tribasa and ICA, which believe they can bring to other Latin American countries the skills that enabled them to build Mexico's toll roads, and other high profile infrastructure projects.

Aeromexico, one of Mexico's two main airlines, believes, like Cemex, that in the long run it can only survive if it expands internationally, and that the natural competitive advantage it enjoys is in Latin America. Thus February last year it bought with Peruvian partners a controlling stake in Aeroperu, and is using the Peruvian carrier's routes in the continent to expand in the region.

The growing expansion of Mexican companies is being aided by the government, which has been pushing for free trade agreements between Mexico and other Latin American countries, such as those signed with Chile and Costa Rica. These agreements are expected to expand bilateral investment, and make businessmen more aware of complementary circumstances between their markets.

Chile's most adventurous cross-border investors have so far been energy companies. The trend began in earnest in 1992, when Chilectra, Chile's biggest electricity distributor, paid $102m as leader of a consortium that bought 51 per cent of formerly state-run Edesur, a Buenos Aires electric utility.

That year saw two other energy groups lured by Argentine privatisations. Endesa, Chile's biggest utility, spent $90m on a Buenos Aires power generator while a rival consortium, led by electricity generator Chilgener, paid $92m for a majority stake in Central Puerto, also in the Argentine capital.

Last year, Chilgener was flexing its transAndean muscles again, investing $90m in a three-way consortium that bought 59 per cent of hydro-electric plant Piedra del Aguila in central Argentina.

Energy companies have not been alone in finding Chile's market of 13m people too small. Santa Carolina, the supermarket group, last April took over a Peruvian chain, while Chilean pension funds (AFPs) – including Santa María, Habitat and Provida – have participated in the establishment of a Peruvian private pension fund system to the tune of some $30m.

In 1992, Dos en Uno, the sweet maker, built a plant in Argentina for $12m and conglomerate CMPC chose the same location for its $14m nappy factory. Lord Cochrane, Chile's biggest printer, has set up a printing press in Buenos Aires in association with Argentina's Atlántida, and one in Brazil with São Paulo publisher O'Globo.

Chile's more ambitious companies, long used to competing in the deregulated domestic market, are proving themselves ever more willing to apply those skills in new, potentially highly profitable, Latin American turf. Central Bank figures for approved foreign investments – which underestimate real outward capital flows – have leapt from only $10m in 1988 to more than $400m last year.

Argentina, with an economy more than three times the size of Chile's, has been by far the biggest attraction, accounting for an estimated 65-70 per cent of investments. Peru, which has one of the most ambitious privatisation programmes in Latin America, comes in second, with other investments in Bolivia, Columbia, Mexico and Panama. The shoemaker Dolphin has even invested $2.3m to begin production in Cuba.

Chilean companies have proved themselves adept at raising finance abroad for foreign ventures. Masisa last year mustered $58m in the US by placing American Depositary Receipts in New York. Much of that was injected into a $100m fibre-board plant in Argentina.

Chilean pension funds, now marshalling funds of $16bn, are also about to become more involved in Latin American businesses. Recent capital markets reform allows them gradually to expand investments abroad to 12 per cent of their assets.

Damian Fraser and **David Pilling**

صكنا من الاصل

THE MARKETS

■ INTERNATIONAL EQUITIES

Investors are likely to focus on quality

Latin American companies have attracted substantial sums of money from specialist emerging market investors during the 1990s, through an assortment of government privatisations, initial public offerings (IPOs) and secondary share sales.

Latin American demand for money – raised through such international equity offerings – is expected to remain strong, but market analysts point to two likely trends this year.

For a start, international investors may find that the relatively difficult market conditions experienced in February and March continue, calling a temporary halt to the stream of new issues as companies await more favourable conditions. And second, as the various Latin American markets continue to grow and develop, investors will have to be more discerning about the quality of companies in which they invest.

The volume of new international equity issues rose sharply last year, jumping to a total of $6.06bn in 1993 from $3.96bn the previous year, according to figures compiled by Euromoney.

Last year's total figures were boosted by the launch of a very large share offering from YPF, the Argentine oil and gas company, which provided the highlight of the Latin American calendar.

The Argentine government sold a 45 per cent stake in YPF in June 1993, raising a total of $3bn which included an international tranche of some $2.3bn. The deal was heavily subscribed by foreign investors and helped to lift the total amount raised from Argentine companies via international share offerings to $2.72 bn. Mexican companies completed a total of 25 issues raising $2.87 bn last year.

This year has started off reasonably strongly with international equity offerings from Mexico, Brazil, Argentina and Chile raising a total of $1.23bn. But analysts point out that market conditions have been extremely choppy. The US Federal Reserve's decision to raise US short-term interest rates – by 25 basis points on February 4 and by a further quarter point on March 22 – sparked heavy selling in many of the world financial markets and left international investors nervous about future trends in the US, Europe and the various emerging markets.

"Markets are nervous, and the emerging markets will probably feel the global underwriting pinch even more [than the developed markets]," says Mr Dan Smaller, emerging market product manager at Lehman Brothers in London. He believes that as a result, the pace of new issuance from Latin America is likely to slow down in the near term.

'Markets are nervous, and the emerging markets will probably feel the global underwriting pinch even more [than the developed markets]'

Added to this, the political situation in Mexico has not helped sentiment either: in the space of the past three months, Mexico has suffered from a peasant uprising in the southern state of Chiapas, the kidnapping of a senior banker and the assassination of Mr Luis Donaldo Colosio, presidential candidate of the governing party.

International investors tended to regard Mexico as the bastion of stability in Latin America, so these recent developments have come as a severe shock. Yet analysts still expect to see the country credit rating lifted later this year from sub-investment to investment grade by the key rating agencies and are optimistic that economic growth will pick up again in the second half of the year.

"We still think the markets are fundamentally attractive," says Mr Richard Lamb, director of Morgan Grenfell Asset Management which manages pension and insurance fund money.

There are still plenty of interesting deals waiting on the sidelines for a suitable moment. Market specialists point out that investors can expect to see further privatisations of utilities in Argentina, Brazil, Peru and Venezuela, which are expected to provide "decent-sized" international offerings. On the corporate side, there may be more IPOs and secondary placements, although these may be somewhat smaller in size, according to Lehman Brother's Mr Smaller.

Mrs Ondine de Villalobos, Latin American equities analyst at Paribas Capital Markets, expects to see a lot of paper coming out of Argentina. "By the end of 1992 – excluding YPF – the government had more or less completed its privatisation programme. Now, it is expected to sell its remaining minority stakes – of around 30 per cent – in companies in the gas transportation, gas distribution and electricity distribution sectors."

Mexican companies are also expected to pursue more international equity offerings, either as new companies seek listings or as existing listed companies return to tap the market again for more money.

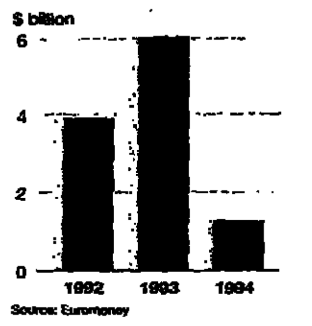
The other main development that market specialists expect to see is a "focus on quality". There are plenty of Latin American specialists who claim that international investors fail to apply the same discerning principles of investment to the emerging markets that they use for other more developed markets such as the US or UK.

The more cautious among them stick to the blue chips – such as Telmex, the Mexican telecom company – because these stocks are very liquid. Others tend to "buy a particular market" without really discriminating much between the individual companies, claims one Latin American specialist.

"This is the year of fundamental valuations and analysis, and investors will have to be much more selective," says Mr Smaller.

Part of the problem is the standard of information available. Some investors complain about the quality of information they receive. Those companies which have New York Stock Exchange listings must comply with the SEC regulations in providing financial information. "The only companies which give a lot of information are those with ADRs which means that they are required to (provide the information)," says Mrs de Villalobos.

International equity issues for Latin American borrowers



These tend to be the big blue chips, but on the whole, "companies need to give out a lot more information, as this information is not readily available in annual reports," says one analyst.

Investors point out that there is plenty of scope for an improvement in the independent research provided by banks and brokers.

"Banks should provide good research on the company as well as taking a sectoral approach in Latin America and globally," says one Latin American specialist. "The quality of third party research is generally pretty low," says Mr Lamb, but he points out that the US firms are generally taking steps to beef up their Latin American research departments by hiring staff "so an improvement is under way".

Sara Webb

■ EUROBONDS

Mood turns distinctly sour

Latin American borrowers have seen the mood in the international bond market turn distinctly sour in recent weeks as the combination of higher US interest rates and a host of quite unexpected domestic factors have unsettled investors.

Given the volatile conditions in the world bond markets, Latin American names may well find that they have to accept less favourable borrowing terms on their bond issues for the foreseeable future, offering investors more generous yields to entice them back into the market.

And following the collapse of Banco Latino, Venezuela's second largest bank, in January and the subsequent crisis in the Venezuelan financial system, many investors would be wise to pay closer attention to the creditworthiness of individual Latin American borrowers, especially if some of the less familiar names make an appearance once market conditions calm down.

Latin American borrowers, sovereign and corporate alike, had a field day in the international bond market in 1992 and 1993. While Latin American names raised a total of $9.64bn with 112 separate issues in 1992, the amount raised soared to $22.58bn (218 new issues) in 1993, according to figures compiled by Euromoney.

The evolutionary process has been disturbed by the severe shake-up in the world's bond markets

As interest rates in the US gradually declined during the 1990s, and yields on US Treasury bonds fell to their lowest level in nearly 20 years, US investors searched further afield for high-yielding bonds with enhanced returns.

A wall of money washed across the globe as investors hunted for yield and turned to the emerging markets. Latin American Eurobonds proved attractive investments: they are mainly denominated in US dollars and offer investors a high yield pick-up – known as the yield spread – over US Treasury bonds, ranging up to about 550 basis points over Treasuries for some of the poorer credits.

Investors were keen to lock into a high yield and make capital gains as bond markets rallied and as yield spreads over Treasuries narrowed, helped by expectations that certain Latin American borrowers such as Mexico would see an upwards revision in their credit rating.

Borrowers were able to raise cheaper funding abroad in the international bond markets than back home in their own domestic financial markets. They raised fixed rate funding in US dollars and used it partly to pay down the more expensive domestic debt and partly to fund expansion.

Several important trends have taken place since the emergence of Brady plans enabled the rehabilitation of Latin American borrowers in the international capital markets. The range of borrowers has widened to include private sector corporate names as well as sovereign borrowers and public sector companies. A handful of Latin American borrowers – such as Cemex of Mexico and the Republic of Argentina – have launched large global bond issues, providing investors with more liquid paper. Borrowers have succeeded in launching longer-dated paper, and have broadened the range of currencies in which their bonds are denominated to appeal to a wider investor base.

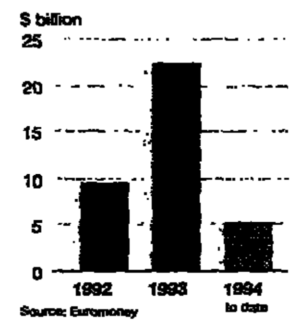
"This is a relatively new market, born out of the Brady plans in 1991-92, and it will go through various ups and downs, but it will continue to grow and attract interest," says Mr Jerry Brown, manager of emerging market Eurobond trading at Salomon Brothers in New York.

This gradual evolutionary process has been disturbed by the recent severe shake-up in the world's bond markets.

The decision by the US Federal Reserve to raise interest rates by a quarter point on February 4 upset the world financial markets and left borrowers uncertain about the direction of US interest rates. Until the markets become more settled, it seems unlikely that borrowers of any description will hurry to issue fixed rate bonds.

However, some Latin American names – including Pemex and Banamex – have launched floating rate notes (FRN), hoping to take advantage of investor uncertainty. Mr Paul Luke, Head of Emerging Markets Research at Morgan Grenfell, warns borrowers will have to concentrate on the FRN sector in future, and must accept higher yield spreads on their

Eurobonds and global bonds for Latin American borrowers



fixed rate issues.

However, countenancing higher spreads in the secondary market and on new issues is not necessarily going to make life easier, some experts warn. "Borrowers face a very difficult problem, because even if they want to come at slightly higher yield spreads, lead managers (on the bond issues) will find it difficult to place the paper (with investors)," says Mr Pepe de Aguinaga, head of bonds at LatInvest Securities.

He warns that if borrowers are forced to borrow in their domestic markets, they could face higher borrowing costs and this could eat into corporate profits. Mr Luke says the main losers "would include the Brazilian institutions, given that real domestic interest rates are so high".

On the domestic front, Mexico's various political problems and Venezuela's banking scandal have probably had the most impact on bond issues with some psychological spillover into neighbouring markets.

Mr Brown of Salomon Brothers says that since mid-January, the Mexican market has been extremely volatile due to the peasant uprising in the southern state of Chiapas, the kidnapping of a senior banker in March, and the assassination of Mr Luis Donaldo Colosio, presidential candidate of the governing party.

"We need to see the following happen now – a new presidential candidate, a resolution of the Chiapas situation, and a sorting out of the democratisation process. Until this happens (Latin American) Eurobonds will continue to be volatile," says Mr Brown.

Even so, many Latin American experts are optimistic about the longer-term prospects for Mexico, which is widely expected to have its credit rating raised from sub-investment (or "junk") to investment grade, probably by the end of this year.

Mr Luke points out that there is a silver lining to the otherwise difficult international background. "Higher US rates do not matter as much as many observers think because 60-70 per cent of Latin American debt is fixed. Moreover, commodity prices have risen by eight times as much as nominal rates in the last six months, so LDCs (less developed countries) face negative real interest rates. Faster US growth is also excellent news for the Latins" says Mr Luke.

Many Latin American experts are optimistic about the longer-term prospects for Mexico

Ms Leena El-Ali, fixed income manager at Foreign & Colonial Emerging Markets, points out that "countries like Mexico and Argentina have a good domestic story", adding that in Mexico's case, it will benefit from factors such as Nafta and membership of the OECD. "At the moment, people are concentrating on the international aspects. As this situation is resolved, the local stories will become more important," predicts Ms El-Ali.

Sara Webb

■ BRADY BONDS

Strong nerves called for

Investors in Latin American Brady bonds will need strong nerves in the coming months to cope with market volatility amid continued political and economic uncertainty.

After last year's stellar performance, the region's markets have been ravaged in the past two months by the sharp sell-off that has sent bonds worldwide tumbling.

"Last year we saw the mother of all bull runs – followed by the mother of all crashes," says Mr Peter West, economic adviser at West Merchant Bank in London. "The sell-off wiped out a substantial proportion of the gains made last year."

After posting a record 43.87 per cent return in 1993, Brady bonds in the year to March 24 fell by 14.48 per cent, Salomon Brothers' Brady Bond index shows. The Brady bond market comprises about $95bn of bonds converted from loans under commercial bank restructuring agreements in the late 1980s and early 1990s.

The markets' initial slump was triggered by the US Federal Reserve's monetary tightening on February 4, but exacerbated by adverse regional developments, such as the Chiapas uprising in Mexico and the collapse of Banco Latino, Venezuela's second-largest commercial bank.

The sell-off was further fuelled by heavy selling from highly leveraged short-term participants – including the much-maligned hedge funds – facing margin calls after losses in other markets.

"A big part of the rally last year was due to money flows from people who were not very acquainted with, nor very dedicated to, this market," says Mr Marc Wenhammer, head of fixed-income at Foreign & Colonial Emerging Markets, who hold about $400m in Latin American bonds.

A second wave of selling was prompted by the assassination on March 23 of Mr Luis Donaldo Colosio, Mexico's leading candidate for the presidential elections. This put another damper on the Mexican bond market and its neighbours and seemed to weaken the prospects for the long-awaited upgrading of Mexico's credit rating. For months, bankers have been hoping that Mexico's foreign debt rating will be raised to investment grade, from its present sub-investment level. An upgrade would have significantly widened the potential investor base for Mexican bonds.

Standard & Poor's recently affirmed its BB+ rating (one notch below investment grade) and its positive rating outlook, but few expect an upgrading this year. Moody's Investors Service rates Mexico's long-term Eurobonds Ba2, two notches below investment grade, and its par and discount bonds Ba3.

Faced with continued political and economic uncertainty and resulting market volatility, investors have remained cautious. However, for now, few observers see the threat of last year's heavy inflows being reversed this year. "The flows will tail off, but they will continue at lower rates," predicts Mr Paul Luke, senior economist at Morgan Grenfell.

Although some short-term participants and US mutual funds have pulled out, longer-term investors, including insurance companies and pension funds, have been reported to be testing the waters. Moreover, there is a feeling that the next wave of buyers is not looking for a quick killing, but will need to take a more realistic investment approach.

"The recovery will probably be more gradual, but also more stable," says Mr Luis Luis, chief economist for emerging markets at fund managers Scudder, Stevens Clark in New York, who invest some $1.5bn in emerging bond markets.

"I hope we'll get greater selectivity by more discerning investors," says Mr Wenhammer.

At present levels, Latin American Brady bonds look cheap. Moreover, the ferocity of the recent sell-off has created anomalies in certain sectors which offer "a good buying opportunity for long-term investors", says Mr Luis.

Debt traders: the top 10
Turnover in emerging markets for restructured debt and leading traders ranked by volume

Trading house	Rank 1993	Rank 1992	Rank 1991	Turnover ($bn)[1] 1993	1992	1991
JP Morgan	1	2	3	193.0	64.0	26.0
Salomon Brothers	2	5	7	153.9	47.0	17.0
Chemical Bank	3	3	1	130.0	50.3	31.0
Chase Manhattan	4	4	2	123.0	49.0	27.0
Citibank	5	6	6	116.0	40.2	19.4
Morgan Grenfell	6	1	4	107.9	67.8	22.0
Merrill Lynch	7	7	8	83.0	38.4	16.0
Lehman Brothers	8	15	20	68.0	17.0	3.0[2]
ING Bank	9	8	5	65.0	33.7	20.2
Bankers Trust	10	12	12	53.5	25.0	10.0

1 Defined to capture the secondary market for restructured and impaired commercial bank debt, but excluding primary and secondary Eurobond markets, and local currency and dollar-denominated local market instruments. 2 Last four months of 1991

Source: Risk magazine market survey, February 1994: trading houses' calculations of their own turnover and estimates of total market

Take floating-rate bonds. Since their coupon is pegged to money-market rates, floaters are usually protected from sharp jumps in long-term yields and gain value when short-term rates rise. However, during the recent bond market sell-off, Brady floaters fell sharply, effectively behaving like long-dated fixed-rate bonds. With no fundamental changes to justify this move, their slide was largely a function of supply and demand factors – leveraged participants liquidating their positions. Thus, "these bonds are undervalued, and will increase in yield as rates rise", says Scudder's Mr Luis.

Interestingly, even during the recent heavy sell-off, "the market maintained its ability to handle heavy flows", says Mr Joe Boyle, head of emerging markets trading at Chase Manhattan Bank in New York. Bid-offer spreads did not widen significantly and there was no lessening in liquidity during the turmoil. "This testifies to the depth of the market."

Still, the Colosio assassination sent shock waves through the markets which are likely to reverberate in the region for some time. "It increases the perception that Mexico still has a long way to go in opening its political system and dealing with social imbalances," says Mr West at West Merchant Bank. "This may make some investors look at these markets with more caution than before."

"Mexico has always been regarded as a benchmark for the region – all the other markets trade off it," says another analyst. But while she expects the neighbouring markets to track Mexican bonds, the increase in the political risk could cause neighbouring markets' yield spreads over Mexican bonds to tighten. "The fundamentals in the other countries are still what they were before the assassination."

With sentiment shifting from the rampant optimism of last year to overwhelming bearishness of late, good news has tended to be ignored, says Mr West. However, "once things settle down, people will focus on the positive news", he predicts. These good tidings will include progress in the ongoing debt restructuring by countries converting their former bank loans into Brady or Brady-style bonds.

Brazil is set to complete its $52bn debt restructuring by April 15, making it the last of Latin America's big four debtor countries – the others being Mexico, Venezuela and Argentina – to complete a Brady-style debt deal. Brazil's bank creditors recently decided to go ahead with the restructuring even though Brazil failed to win a standby loan accord from the IMF.

Next in line is Bulgaria, which is expected to exchange its debt by June 30. Some say the deadline may be extended due to administrative delays, but most market observers expect the deal to be completed later this year.

Among other ongoing Brady-type negotiations, Ecuador appears to be closest to an agreement in principle, while Panama and Peru continue talking with their creditors.

Conner Middelmann

■ DERIVATIVES

Funds flow into options

The huge investment flows into Latin American securities over the past few years have fuelled rapid growth in the use of derivatives in the region and beyond.

Bankers who have been involved in the development and marketing of these structured fixed-income and equity products, mainly in the form of options and warrants, say their main attraction is that they provide investors with a highly-leveraged exposure to Latin America at a fraction of the cost of buying the underlying securities. At the same time, they offer investors a certain amount of protection against the inherent volatility in these markets.

"If you want to delve into Latin America with limited risk then options are the way to do it," says Mr Louis Hanover, a specialist on emerging market debt derivatives at Merrill Lynch in New York.

However, others have reservations about the risks associated with derivatives on such volatile underlying securities. They point to the lack of a recent price history to allow one to judge volatility of the underlying security – a critical factor in its pricing. A further concern is the relatively high chance of liquidity drying up in the event of a price collapse or the repatriation of international funds which have been invested in Latin America over the past few years.

Mr William F. Truscott, an equity fund manager at Boston-based fund manager Scudder, Stevens & Clark, says of derivatives: "We haven't made active use of them. You have to look at them very closely to make sure that you're not overpaying – particularly if you're buying over-the-counter options."

Nevertheless, the early success of the industry has drawn attention away from the risks. Derivatives fans point to the mushrooming trading volumes in derivatives on Latin American debt following the restructuring of Latin American sovereign bank debt through the issuance of Brady bonds. Mr Hanover estimates that around 200m options on notional bonds are now traded on a daily basis.

Mr Jordi Wiegerinck, head of asset trading at the Dutch bank, ING, in São Paulo, expects the trading volume in derivatives on Brazilian debt alone to rise threefold this year to $40bn to $50bn from $18bn last year. "The liquid underlying market has enabled the derivatives market to develop," says Mr Wiegerinck.

He adds that warrants offer best possible leverage to a volatile market. "You can buy the underlying security and get a yield of 12 to 13 per cent but you run the risk that the country will not be solvent in two years' time," he says.

On the equity side, bankers say that the derivatives business has been given a significant boost by the wave of privatisation which has swept through the region since the late 1980s.

Mr Jeremy Campbell-Lamerton, managing director of Inverlat International, the London-based European operation of Grupo Financiero Inverlat, Mexico's fourth largest financial institution, says that the progress has been substantial in three fields.

First, the options exchange in Chicago now has contracts on 10 Latin American companies, providing international investors with exposure to companies in Mexico, Brazil, Chile and Argentina. These include Telmex, the Mexican telephone company; Ica, the Mexican construction company; Panamco, a US-listed Panamanian company which has Coca-Cola interests in Mexico; Aracruz, the Brazilian pulp and paper company; CTC, Chile's telephone company and YPF, the Argentine oil group.

Second, most countries in Latin America now have thriving options exchanges for local investors. Although the life of the options is short, around 28 days, trading volume in the instruments is significant, particularly in Argentina and Mexico where the market's capitalisation is estimated at $100m.

There have also been issues of domestic over-the-counter (OTC) warrants on Brazilian and Mexican stocks denominated in local currencies, though foreigners are less interested in these products, mainly due to the currency risk.

As a result, there has been a third area of growth in Latin American derivatives for which international investors have shown a formidable appetite, namely the dollar-denominated OTC market in so-called "synthetic" warrants.

These warrants, which for the most part are exercisable into the American Depositary Receipts (ADRs) of Latin American companies, are "synthetic" since they have not issued by the companies but by banks which have identified a pool of demand from their clients. The warrants can also be cash-settled.

Since the warrants are priced in dollars, the holder does not need to worry about capital controls or currency risk. In addition, trading in many of the warrants can be settled through Cedel and Euroclear, Europe's two main clearing houses.

Mr Campbell-Lamerton says that this market has grown rapidly over the past 12 months and estimates that there are now 120 issues compared with fewer than 10 issues one year ago. Volume is thought to be around $2bn. Although the market is at an early stage, its future development will be limited by the finite pool of ADRs which can be used, Mr Campbell-Lamerton says.

The warrants are not "covered", that is the issuing bank will not actually own the underlying securities. However, the issuing bank will have hedged itself by taking out a series of options so that if the warrant holders exercise their rights, the bank can deliver the goods.

Antonia Sharpe

■ PENSION FUNDS

Hospitable laboratory

European states, anxious to reform their overburdened state pension schemes, would do well to take a look at Latin America.

There, governments are beginning to put in place attractive alternatives to their creaking pay-as-you-go state pension schemes which rely on contributions from existing workers and their employers to pay benefits to those already retired. The reforms involve the diversion of employee contributions to long-term individual savings accounts and away from the state pension scheme.

In the process of this reform, Chile, the pioneer in Latin America, has built up a domestic capital market valued at over $15bn. These newly-created Chilean pension schemes, begun in 1981, provided 72 per cent of all domestic investment by the end of 1991. And, unlike the recent surge of foreign investment into Latin America, which can flow out as easily as it flowed in, domestic pension funds provide capital which is here to stay.

"When private pension schemes first started in Chile, there really wasn't a domestic capital market," said Mr Tim Sharples, a director at Callund and Co, an actuarial consulting firm specialising in Latin America.

The growth of assets under management has been so swift that Chilean regulators have had to gradually relax the investment restrictions placed on the private pension schemes. According to data from Chile's Superintendent of Retirement Fund Administration Companies (AFJP), the average pension fund's investment in equities has risen from nil in 1981 to about 10 per cent in 1986 to roughly 40 per cent by the end of 1991.

Moreover, currency-matching requirements have been relaxed, allowing for some investment abroad.

Chile's neighbours have watched its emerging pension fund business with growing interest. Last May, Peru put in place its own version of Chile's dramatic reform of its state pension system, while Argentina will launch its pension reforms on June 1 this year. Colombia has recently passed legislation allowing for similar reforms while Bolivia is also examining the same structure.

Pension reform in Latin America is proving attractive especially to US-based insurance companies and fund managers. American International Group (AIG) has a significant presence in the pension fund management business there, and UK-based fund management companies are anxious to export their expertise. For instance, Mr Win Bischoff, chief executive of UK merchant bank Schroders, recently pinpointed Argentina as a potential growth region for the group's investment management business.

But aside from the potential that pension reform offers service providers, Chile's shift to a funded pension system is being closely watched, particularly by European governments anxious to do the same.

For most countries, making the shift is complicated by the fact that the bill for those already receiving state pensions, is paid by current workers. If the contributions of those workers were to be diverted to long-term savings accounts, governments would have to meet the pensions bill out of tax receipts – something most governments are unable to even contemplate.

Mr Sharples notes that Chile was to some extent bailed out by its demographics; it has far fewer pensioners per worker than most European states. Moreover, it guessed – correctly – that the 1980s would be a decade of strong economic growth which would enhance its tax receipts.

To finance its existing pension obligations, Chile issued long-term bonds and set investment rules requiring AFJPs, the managers of the funded pension schemes, to buy them. Thus, Chile was able to recycle much of the individual savings in a way which allowed it to meet its own pensions bill.

Moreover, it changed the way national insurance contributions were treated. Instead of the previous system which made NI contributions a liability of the employer, they became a liability of the employee. "Tax avoidance decreased because people could see a reason to declare their earnings and make a payment," Mr Sharples said.

Meanwhile, western governments may find other lessons to be learned from the Latin American pensions experiment. For instance, both the Chilean and Argentine systems are compulsory for younger workers, with older workers having the option of either remaining in the state scheme or choosing a private pension.

Also, both countries have chosen to cap costs. In Chile, three percentage points of the 13 per cent of each workers' pay which goes in contributions is set aside to cover life insurance and disability insurance premiums and costs.

Overall, the Latin American experiment with pension reform offers a few crucial lessons for other western governments grappling with a state pensions bill threatening to run out of control. However, the peculiar demographic and economic conditions at work there may make it a much more hospitable laboratory for such experiments than other more industrialised nations.

Norma Cohen

Reforms set the pace

Continued from page 1

tively heavily indebted and have yet to develop strong foreign exchange earnings capacity that will be needed to service their foreign liabilities in the future. According to Ms Marilyn Skiles, an economist with JP Morgan: "The current availability of external finance provides these countries with an opportunity to develop competitive export sectors. Unless this happens, the countries may be vulnerable at some point in the future to a sudden shift in investor preferences."

The international capital market is an often capricious master as this year has forcefully demonstrated. While Latin America continues to need foreign capital, its governments are likely to be subject to its whims. Liberation will come only for those countries that succeed in the difficult task of increasing their own domestic savings rates.

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